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notes

All dollar figures used in the text and charts are rounded to the nearest \$100 thousand.

Throughout Section 5, *Program Status Reports*, labor and other operating expense percentages used in the "Average Army Data" financial information boxes are a percent of total revenue. Cost of goods sold percentages are a percent of sales.

This report is compiled by the Strategic Planning and Policy Directorate, U.S. Army Community and Family Support Center. For information or additional copies, contact Mr. Abraham Van Dyne at (703) 681-7427 or Mr. Joseph Trebing at (703) 681-7424.

salute to fiscal year 1997

For many years, the Army leadership has worked to develop business-based economies and efficiencies for Morale, Welfare and Recreation programs. Fiscal year 1997 marks the realization of those efforts. In terms of fiscal performance, customer satisfaction, and operational efficiency, Army MWR is ***"smokin' the course!"***

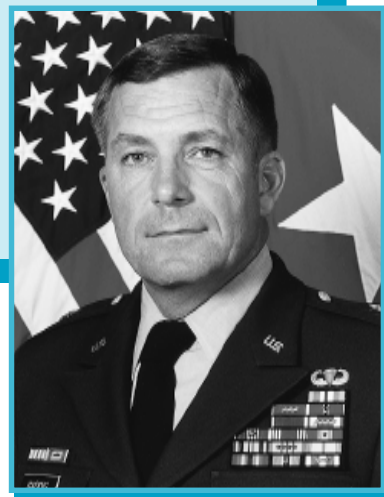
This achievement is primarily due to success on two critical fronts. First, the oversight provided by the MWR Board of Directors clearly increases the visibility of financial performance and accountability, and emphasizes quality programs and services at affordable prices for soldiers and their families. Secondly, our installations are executing MWR programs in a superb manner. As a result, nonappropriated operating performance reached an all-time high in FY97, with a net income before depreciation of \$78.8M. This performance exceeds our FY99 goal two years early.

Continued improvement guarantees the future viability of MWR. The Army is putting customer-desired facilities on the ground, maintaining an aggressive \$49.5M NAF major construction program for FY98. Increased patron use demonstrates that MWR is offering the programming that customers want. New program standards and benchmarks, modified service delivery systems, and innovative operating methodologies assist Commanders in providing

for customer needs while making sound business decisions. Collectively, these strategies are paying off, and allowed the MWR BOD to reduce the capital reinvestment assessment from three to two percent of revenue.

Increased operations and personnel tempo served as additional catalysts for change, driving program modifications for both deployed soldiers and the families they left behind. By the end of FY97, 87 MWR civilian specialists had voluntarily deployed in support of Operations ***Joint Endeavor*** and ***Guard***. The fitness, sports, recreation, and leisure programs these dedicated professionals provided were the only diversions available from the rigors of duty. At home, an inclusive family support system mobilized to prepare the family for deployment and to support them during separation from their loved ones.

The Army adopted an MWR vision of ***"First Choice."*** As we move into FY98, leaders at every level must operationalize that vision with organizations that are open to change and committed to meeting the needs of America's Army. We must remember that the Army is not *about* people—it *is* people. MWR and readiness are inseparable.



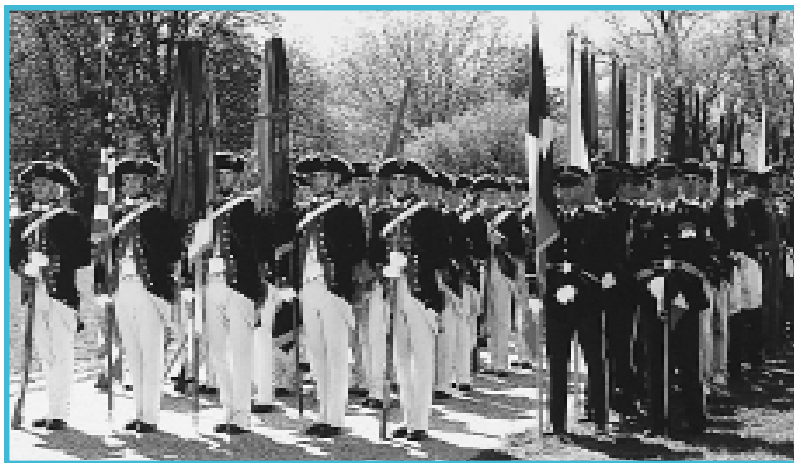
EVAN R. GADDIS
Brigadier General, U.S. Army
Commander, Community and
Family Support Center

Section 1

executive
summaryfy97
pass in
review

Congressional Support

Congress continues to support morale, welfare, and recreation programs as critical partners in promoting the readiness of America's Army. During an April 1997 hearing, Congressman John McHugh, Chairman of the MWR Panel of the National Security Committee, spoke on the importance of MWR programs: "MWR programs frequently do not receive the notoriety that the military resale system sometimes receives.... However, in many respects, these programs are more important to the wellness and to the readiness of our forces. These programs promote physical fitness, establish communities for service members and their families, particularly at remote installations in isolated areas, and are perhaps the most tangible evidence that the military cares about the quality of life of its people. In war time or during deployment, MWR programs are essential to providing recreation and relief from stress and during hardships away from home."



Soldiers of the 3rd U.S. Infantry, The Old Guard, prepare for a ceremony in Washington, D.C.

- Photo by SPC James P. Aldridge

In fiscal years 1995 through 1997, Congress provided appropriated funds beyond the amount requested in the Army's budget to support family programs. Of particular interest to Congress is high-quality, affordable child care. In FY97, Congress provided additional funding to construct child development centers in Darmstadt, Germany; Fort Eustis, VA; and Fort Carson, CO. The FY99 President's budget request includes \$10.9M in military construction funding to replace two child development centers at Wuerzburg, Germany and Mons, Belgium.

As part of the plan to implement the FY98 Defense Authorization Act (Public Law 105-85), the Secretary of Defense is developing a proposal on the advisability and feasibility of permitting Defense nonappropriated fund

instrumentalities to enter into public-private ventures. This report will facilitate understanding of the PPV process to Congress.

White Sands Missile Range and Fort Campbell are among six DoD sites completing the first year of a two-year Uniform Resource Demonstration. Under this congressionally directed test, appropriated and nonappropriated funds are merged, with all MWR services using NAF rules. The goal is to lower operating costs, expand opportunities for business operations, and increase the visibility of financial data. To date, installation leaders and MWR managers are very supportive, especially with the NAF procurement process and the visibility of financial data. Resource managers, though supportive, are concerned with potential budget reductions and with maintaining proper oversight of APF resources. All parties are concerned with the potential transition of APF personnel if the concept is approved for DoD-wide implementation. The Office of the Assistant Secretary of Defense, Force Management Policy, monitors the demonstration.

DoD and Army Leadership

Defense Planning Guidance for the Program Objective Memorandum (POM 99) recognizes that Quality of Life programs have a direct impact on retention, morale, and readiness. The guidance urges the Services to adequately fund community and family support programs and continue progress toward meeting MWR funding standards. The guidance also encourages the Services to increase efforts to outsource and privatize, reduce unneeded facilities, improve barracks standards, and stop the migration of resources at the expense of OPTEMPO.

The Quadrennial Defense Review will play an important role in defining the Defense Department's future missions, strategies, and composition. Decisions to reduce active Army and reserve end-strengths are designed to increase force utility and better integrate the reserves with the active component. The QDR recognized that the quality of the force depends on the quality of military personnel; DoD's long-term commitment to adequately fund community and family programs, morale and recreation activities, housing, and transition assistance will be sustained.

During FY97, the Army developed prototype performance standards and key activities for installation base operations support services. Developing service performance standards is the third, and last, step required to fully

implement the Installation Status Report. In January, members of a joint Headquarters, Department of Army and Major Army Command working group defined installation services and drafted standards for those services. MWR participants created a single function, MWR, with four services: Child and Youth, Army Community Service, Fitness and Recreation, and Business Operations. CFSC, using input from MACOM functional proponents, developed quantity standards for each MWR service. Feedback from a late FY test of these quantitative standards will drive future development of the ISR Part 3.

In July, the Assistant Secretary of Defense (Force Management and Personnel) authorized the Utilization, Support, and Accountability Practice for optional use by MACOMs or installations, effective 1 October 1997. Under USA, installations prepare an agreement documenting specific government functions to be provided by the MWR activity for the government, the amount of APFs required to perform those services, and the payment schedule. This practice applies only to APF-authorized services of MWR programs (in accordance with Army regulation), and the Installation Morale, Welfare and Recreation Fund may not be paid more than it cost to actually provide the services. USA may be tailored to each installation's requirements, and may include the entire MWR program and budget, or selected programs or services. USA returns flexibility to commanders trying to get the most mileage out of APF resources.

MWR Board of Directors

The Board of Directors continued its strong leadership role in the management and operation of Army MWR programs. The BOD is composed of the four-star commanders of U.S. Forces Korea, U.S. Army Forces Command, U.S. Army Training and Doctrine Command, U.S. Army Materiel Command, U.S. Army Europe and Seventh Army, the U.S. Army Pacific commander, and the Sergeant Major of the Army. The BOD weighs MACOM and installation requirements, including the needs of unique customer bases, against Armywide requirements. In FY97, the BOD:

- Stabilized the Army Morale Welfare and Recreation Fund by refining the NAF Financial Plan to identify two conditions when the BOD will take action: when indicators reflect a potential cash-to-debt ratio of less than 1:1 over a three-month period, or when the outstanding loan balance of the AMWRF is projected to exceed 50 percent of aggregate field NAF instrumentalities' cash balances.

- Approved AMWRF receipt of earnings from the sale of tobacco in commissaries. Concurrently, the BOD rolled back the capital reinvestment assessment from three to two percent beginning in FY98, providing \$8.7M a year for installation capital reinvestment. The BOD adjusted the net income before depreciation standard upward to seven percent for FY98, and eight percent for FY99 and thereafter. At each meeting, the BOD continues to review options to reach an optimal cash-to-debt ratio.

- Changed the Commanders' Mission Box standards, effective in FY97: combined all club operations into one aggregate standard, eliminating the separate lines for Officers' Clubs, NCO/EM Clubs, and community clubs; eliminated the food, beverage, and entertainment standard; added a standard for food operating results, regardless of program element; and added a pass/fail (green/red) standard to monitor the limitation on capital purchases and minor construction execution.

- Revised the Commanders' Mission Box, effective FY98: changed the child care NAF subsidy standard from \$200 to \$100 per space in FY98, \$50 in FY99, and \$0 in FY00; and set the food standard to five percent of revenue in FY98, six percent in FY99, and seven percent in FY00, subject to review thereafter.

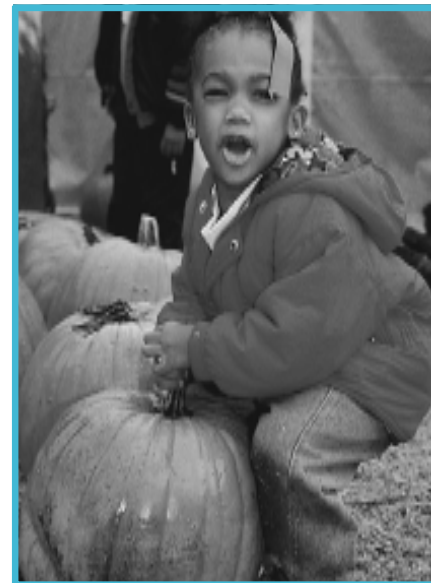
- Approved a FY98 NAF major construction program worth \$49.5M and project validation assessments for FY99 NAFMC projects.

Financial Overview

All Army MWR Operating Funds

Field operating nonappropriated fund instrumentalities, the Army Recreation Machine Program, and the AMWRF comprise Army MWR operating funds.

Collectively, FY97 APF and NAF support exceeded \$1.4 billion, a \$90M increase over FY96. In FY97 (as in FY96), APF and NAF shares of total support were 33 and 67 percent, respectively. Total NAF revenue increased \$58M from FY96, or 6 percent, primarily because of increased support from the Army and Air Force Exchange Service (core dividend and tobacco earnings) and increased revenue from fees and charges. The APF support increased \$32M, or 7 percent. Military personnel and small



Three-year old Jordan Dent picks a pumpkin at Fort Lewis's pumpkin patch.

- Photo by SPC Robin Van Derveer

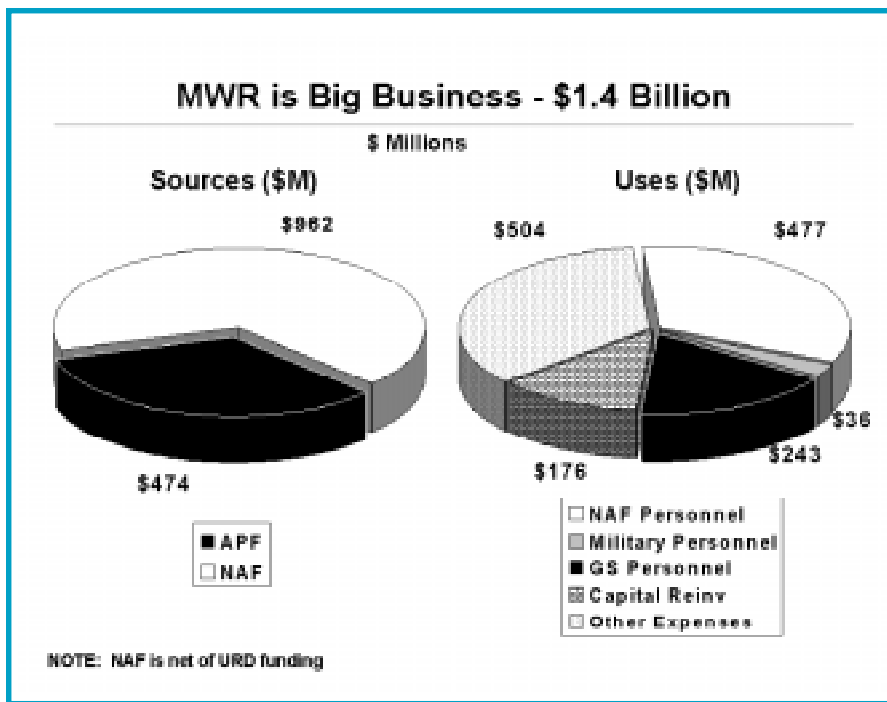


Figure 1-1

MACOMs accounted for the majority of this increase. Borrowed military manpower is becoming more visible, particularly in physical fitness programs. Figure 1-1 illustrates total support and how APF and NAF dollars were used. As in the past, personnel constitutes the major use of funds, at 53 percent of the total. After operating costs were paid, \$176M was available for capital requirements. Examples include major construction, management information systems, and CPMC.

DoD Funding Metrics

Department of Defense fiscal standards require that, regardless of category, 100 percent of authorized costs are funded with appropriated funds. Metrics for measurement of success in achieving these standards include allowances for incidental program-related resale operations (not authorized APF) and are 85 percent APF funding for Category A and 65 percent APF for Category B. These standards were published in November 1995. For the second

consecutive year, the Army has collectively improved its performance (Figure 1-2), with 87 percent APF recorded for CAT A and 64 percent APF for category B.

Critical Indicators

As of 30 September 1997, the Army's collective MWR operating cash to current field liabilities was 1.1:1. This matched last year's ratio for the same period. The relationship of the outstanding AMWRF loan to the Army Banking and Investment Fund with field NAFI cash was 51 percent as of 30 September 1997. The MWR Board of Directors authorized this loan as one of the financing strategies for improving the MWR physical plant. The cash-to-debt ratio and loan balance percentage are the two major critical indicators the BOD uses to maintain the financial health of the operating funds. While the September data reflect a sound position, FY98

is now viewed as the most critical period, as the Army aggressively executes planned capital expenditures while maintaining solvent operations in an environment of scarce resources and changing structure. Detailed financial information, including the Summarized Balance Sheet and Summarized Income and Expense Report for Army MWR Operating Funds, is presented in section 4 of this report.

Field Operating Funds

Direct Appropriated Fund Support

For FY97, .S account and family program accounts were executed at \$176.1M and \$176.0M, or 103 and 97 percent of allocations, respectively. These amounts were \$7.5M more for the .S account and \$1.5M more for family program accounts than the actual execution for FY96. Figure 1-3 reveals that the Youth Program overexecuted \$4M while the Child Development Services underexecuted by an equal amount. Reporting problems for school-age programs caused this out-of-balance execution. In the case of Army Community Service, installation commanders worldwide chose to execute \$5M of authorized funding for other programs with more critical needs; possibly, at least collectively, MWR was overexecuted in a similar amount.

Army MWR Operating Funds DoD Fiscal Standards	METRICS APF as Percentage of Total Expenses			Minimum DoD Metric
	FY 95	FY 96	FY 97	
Category A	80 %	85 %	87 %	85 %
Category B	57 %	62 %	64 %	65 %

Figure 1-2

Nonappropriated Funds

Fiscal year 1997 was the most financially successful in recent history for field-operating NAF activities. The Net Income Before Depreciation adjusted for one-time, non-cash Base Realignment and closure costs, such as write-offs of buildings and improvements, was \$75.8 M (8.9 percent of total revenue), versus \$65.1M (7.8 percent of revenue) in FY96. As shown in Figure 1-4, financial results in each of the past two years exceeded budget projections.

Figure 1-4 also shows the progress made Armywide in generating net income at a sufficient level to prevent “de-capitalizing” the MWR program. “De-capitalization” occurs when capital assets are depleted or depreciated at a rate greater than that at which income is generated. While depreciation increased from \$100M in FY96 to \$103M in FY97 because of capital reinvestment, the net income after depreciation increased from a negative \$36.2M in FY96 to a negative \$27.8M in FY97. Continued progress of this magnitude will allow the Army to meet a long-term goal: break-even after depreciation.

Results for FY97 show continued profitability and financial progress, which has occurred each of the past five years (Figure 1-5). The NIBD has increased steadily from 5 percent of total revenue in FY93 to 8.9 percent in FY97. This profitability is a direct result of increased financial oversight and emphasis by the BOD, which established phased financial standards commencing in FY94. Initial standards required each Category C program to achieve NIBD of at least zero. Other standards required installation MWR funds to achieve a NIBD of at least zero, with a budget variance no greater than 15 percent; execution of at least 70 percent of budgeted CPMC; limiting the NAF subsidy to child development centers to no more than \$400 per child space or the previous year’s subsidy, whichever was less; and reducing overhead costs by at least 10 percent.

These standards presented significant challenges to MWR field managers — which they met. MACOM financial results are briefed twice a year to the BOD’s Executive Committee. As installations proved able to satisfy initial standards, the BOD tightened them and added additional standards as part of a long-range financial improvement plan. Additional standards included a requirement for NAF operations in

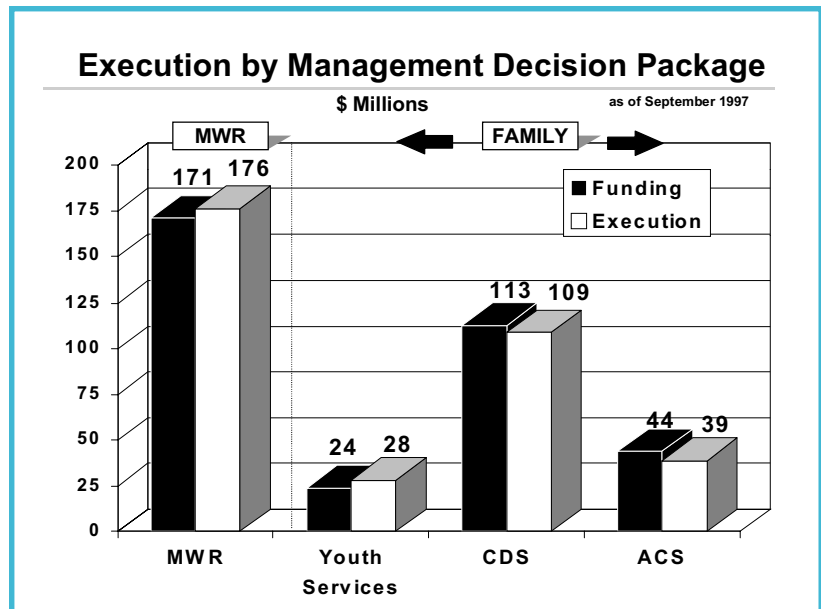


Figure 1-3

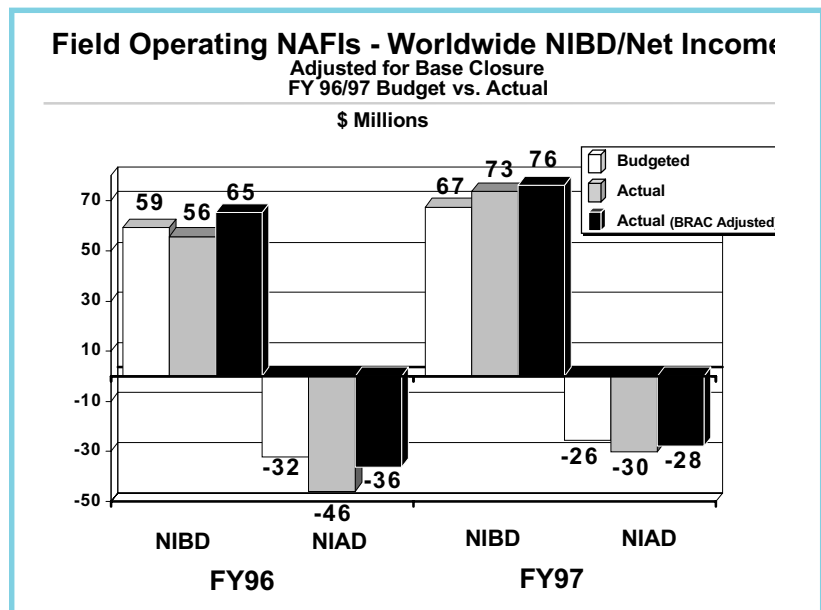


Figure 1-4

FY	MWR BOD NIBD Standard	\$ Actual NIBD	\$ Actual NIBD BRAC Adjusted	% Total Revenue BRAC Adjusted
1993	0 %	30.4 M	44.6 M	5.0 %
1994	0 %	28.8 M	42.9 M	5.1 %
1995	0 %	33.5 M	44.8 M	5.3 %
1996	5 %	55.6 M	65.1 M	7.8 %
1997	5 %	73.4 M	75.8 M	8.9 %
1998	7 %	N/A	N/A	N/A
1999	8 %	N/A	N/A	N/A

Figure 1-5

MWR Program Functional NAF Operating Results		Adjusted for Base Closure		
\$ Millions		FY95	FY96	FY97
Income Generators				
Category C Programs		39.3	56.8	64.1
External Revenue		142.0	141.5	140.3
SUBTOTAL		\$ 181.3	\$ 198.3	\$ 204.4
Income Users				
Category A Programs		- 14.1	- 10.2	- 9.4
Category B Programs		- 4.7	1.5	5.5
Overhead Expense		-117.7	- 108.6	- 100.7
CRA		0.0	- 15.9	- 24.0
SUBTOTAL		- \$ 136.5	- \$ 133.2	- \$128.6
NIBD		\$ 44.8	\$ 65.1	\$ 75.8
% of Total Revenue		5.3 %	7.8 %	8.9 %

Figure 1-6

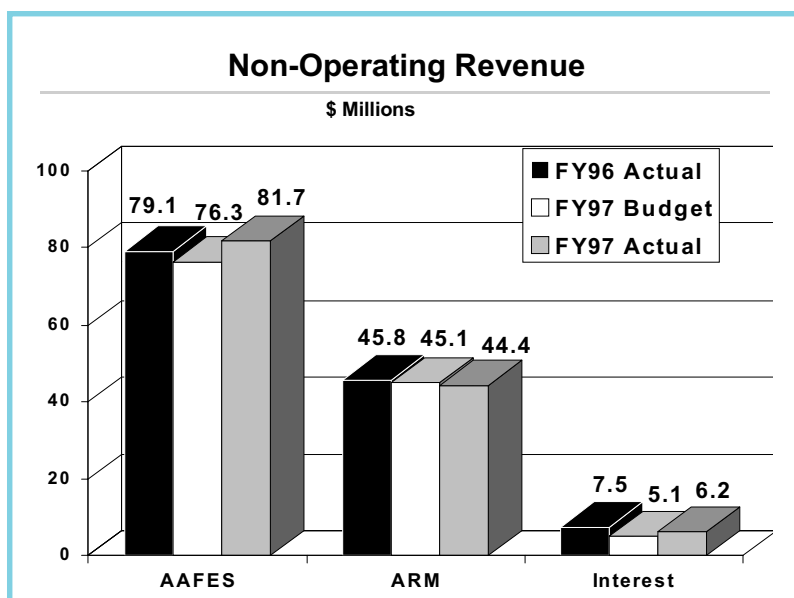


Figure 1-7

FY	NIBD Standard	CRA	Cash Generation Standard (NIBD+CRA)	Actual Cash Generated
	% of Total Revenue	as % of Total Revenue		%
1993	0 %	None	0 %	5.0 %
1994	0 %	None	0 %	5.1 %
1995	5 %	None	5 %	5.3 %
1996	5 %	2 %	7 %	9.8 %
1997	5 %	3 %	8 %	11.9 %
1998	7 %	2 %	9 %	N/A
1999	8 %	2 %	10 %	N/A

Figure 1-8

category A programs to break even (net income before depreciation of at least zero) and for all APF-authorized requirements within category A to be 100 percent APF funded. The category B standard required NAF operations to at least break even. The results of these standards over the past three years are shown in Figure 1-6.

Category C operations increased profitability from \$39.3M in FY95 to \$64.1M in FY97, a 63 percent improvement. Category A programs made steady progress toward achieving at least a break-even NAF operation in their program, while increasing the percentage of appropriated fund support. Category B programs made a dramatic turn-around, from a \$4.7M net loss before depreciation in FY95, to a \$5.5M NIBD in FY97.

An additional area of success is the reduction in overhead expenses (not including the Capital Reinvestment Assessment) by \$17M from FY95 to FY97 while total revenue increased only slightly. Examples of efficiencies include the further centralization of accounting services, the establishment of MACOM Single Funds with the resultant centralization of financial management and procurement, and the efficiencies achieved through the Management Information Systems such as the Time Labor Management System and the Financial Management Budget System.

Non-operating revenue (Figure 1-7) held steady during this period of increased program profitability and decreased overhead costs, allowing a greater portion of income to be used for capital and program reinvestment, rather than subsidizing program operations.

The BOD's financial plan sets increasingly ambitious standards through FY99 (Figure 1-8). The NIBD standard increases from 5 percent in FY97 to 8 percent in FY99. This standard is apart from the CRA collected by the AMWRF for Armywide capital reinvestment requirements. Thus, installation and MACOM MWR funds are challenged to generate income equal to at least 10 percent of revenue (before the CRA) by FY99. Remarkably, installations and MACOMs have already achieved and exceeded this standard two years ahead of time.

Program Initiatives

Business Programs

Business Programs moved forward with the development of benchmarks and program standards developed to improve customer service and increase profitability, with major emphasis on enhancing food programs. The BOD's guidance in club and food areas continues to pay big dividends as installation club programs recorded one of their most profitable years ever, contributing \$9.7M to MWR worldwide (Figure 1-9).

Benchmarks for food and beverage programs aid commanders and program managers in meeting BOD standards. Benchmarks also help bring our programs on par with the private sector. National Restaurant Association statistics and historical operating results were used to develop the benchmarks.

Our new theme concepts are proving very successful and popular with soldiers, their families, and installation management. The concepts include a complete package, from décor to menus and uniforms. Nine theme concept operations opened in FY97, with an additional ten scheduled for FY98.

The CFSC completed the sale of the Fort Ord (Presidio of Monterey) golf courses, receiving \$10.7M to support local NAFI MWR programs. This was the first MWR activity sold at fair market value with proceeds accruing to NAF.

An MWR Catering Workshop conducted in August was attended by more than 50 catering and club professionals from MWR activities. The training presented the latest in menu design, décor and decoration techniques, innovative theme events, and solutions to improve catering operations.

Telephone service income was \$16.6M in FY97, increasing \$2.2M over FY96. A major factor in the increase was greater telephone usage as a result of Operation *Joint Endeavor*. Although pay telephone income has declined due to the dynamics of a changing market, this has been offset by additional income from increasing usage of cellular phones and barracks telephones. These trends are expected to continue during FY98.

The year was difficult for the commercial travel industry, and the Army felt the impact when one of our largest commercial travel providers unilaterally initiated a 65 percent reduction in

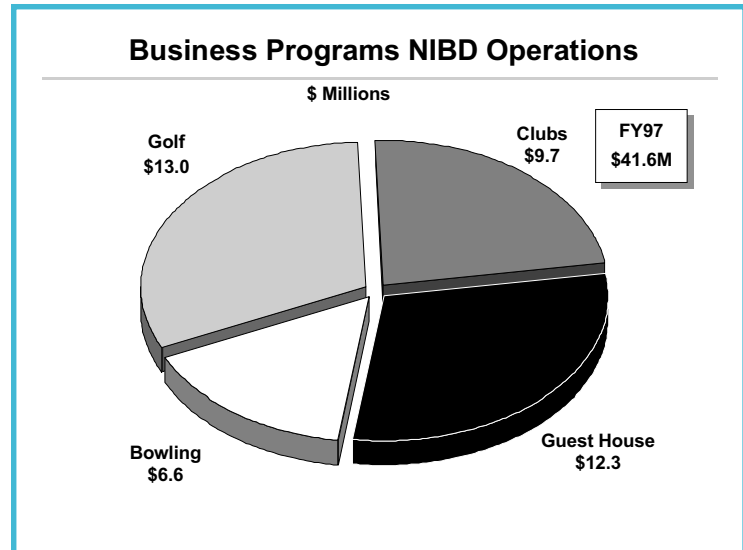


Figure 1-9

commissions paid to installations. The significant reduction in travel commissions resulted from sharply lowered commissions paid to travel agents by the airline industry. Approximately 80 percent of a travel agent's business is derived from airline travel. Negotiations are underway to reduce the adverse effect on installations.

Guest house operations boosted occupancy by participating with the Army Central Reservation Center. Anticipated room vacancies in guest houses are allocated for sale to customers calling the ACRC, at 1-800-GO-ARMY-1, in search of on-post accommodations. In 1997, over 94,000 guest house room nights Armywide were allocated to the ACRC for sale.

In 1997, guest house training initiatives were consolidated at the Community and Family Support Training Center, providing guest house employees centrally funded training opportunities. Training seminars, also centrally funded for employees, were held in conjunction with the International Hotel/Motel and Restaurant Show in New York City. These initiatives were the result of coordination between CFSC's Army Lodging Directorate, which has operational policy responsibility for guest houses and sponsors all lodging-related training, and the CFS Training Center.

Family Programs

1997 AFAP Planning Conference

Top 5 Services

1. Medical
2. Commissary
3. Dental
4. Child Care
5. ACS

Figure 1-10

Family programs continued to capitalize on efficiencies without forsaking quality or effectiveness. Significant accomplishments for the year included:

- A series of process action teams forged a plan to restructure and streamline Army Community Service. The plan recommends: developing a one-stop approach reflecting alignment by functional service, horizontal integration, and a single point of entry; creating the infrastructure to support Family Advocacy Program consolidation; and terminating low-demand services. CFSC continued to emphasize pursuit of the Unit Service Strategy, and contracted to develop outcome measures for Army Community Service.



The two that "didn't" get away. Fishing at Seward Military Recreation Resort will give you some tall tales to tell.

- Photo by H. Johnson

- The biennial HQDA Army Family Action Plan Planning Conference met in March. MACOMs sent 138 delegates, representing all elements of America's Army, to review and prioritize issues forwarded from local symposia. Delegates assessed 66 issues and recommended 19 to the Vice Chief of Staff, Army, for inclusion in the AFAP. In this 14th year of the AFAP, the Army family's most critical QOL issues were in the area of medical benefits and entitlements. Figure 1-10 shows the top 5 services, as rated by AFAP representatives, impacting QOL.

- To improve the quality of child care across the country, President Clinton issued an executive memorandum in April directing that military child care programs share lessons-learned with the civilian sector. The Services established a toll-free access number to an information clearinghouse, enabling civilian agencies to order training and resource materials. The Army submitted 55 documents to the clearinghouse for potential distribution. A bureau of military child care experts is available for speaking or training engagements.

- A review of Army child care programs concluded that costs are not rising, the NAF subsidy is down, HQDA guidance and requirements are not overly restrictive, and

school-age services programs are not adversely competing with other child and youth programs.

- Eighty-three percent of Army Child Development Centers were accredited and ninety-eight percent were certified in FY97.

- World Teen Discovery '97 met in July in Columbiana, AL. Seventy-five Army teens developed leadership skills, acquired team-building and facilitation skills, and learned strategies for resolving teen issues back at their home installations.

- The Army Teen Panel, comprising 11 teens, met in September to foster communication between teens and Army leadership on issues facing youth. Key topics focused on youth sponsorship, volunteer and community service, youth employment, sports programs, peer-to-peer counseling, and Character Counts (a character education program for teens).

Recreation Programs

Recreation programs continue to assess policies and evaluate program outcomes against evolving leisure and recreational needs of the future force. Program highlights during FY97 included:

- After successful testing at three installations, the new Recreation Delivery System was approved for Armywide implementation. Program and operation teams allowed staff to focus on increasing program participation through integrated customer-driven programs, customer service, and staff efficiencies. The new delivery system requires increases in unit outreach programs, non-facility based programs, and outsourcing opportunities. While the program team concentrates on delivering programs, the operations team operates the facilities and enables staff sharing to fill personnel shortages and reduce work backlogs. Implementation of this system can yield both installation cost savings and increased revenues, but most of all, it provides increased programmed events to meet customer needs and desires.

- The second annual program training workshop for recreation professionals was held in August 1997. Having gotten "out of the box" last year, programmers were challenged to "move that box" and be non-facility bound and non-traditional in programming. Attended by 100 recreation professionals, the workshop focused on determining market needs, planning programs and services to meet those needs, and providing them in the most suitable place.

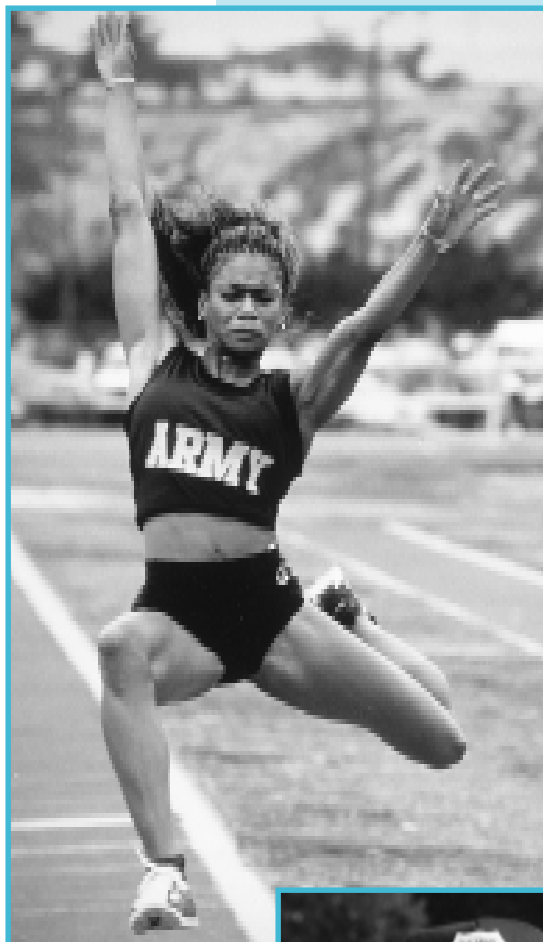
- Libraries report a successful year serving the information and reference/research needs of soldiers and their families. The 1996 Leisure Needs Survey rated libraries the most desired MWR program. Soldiers now have access through the world wide web to a wide variety of automated reference databases for news, business, and health that offer abstract and full-text retrieval capabilities. In addition to supporting Operation *Joint Guard*, paperback books were centrally provided to isolated soldier units stationed around the globe. The annual Army Library Institute provided critical training to librarians on change, management, and automation.

- The U.S. Army Soldier Show entertained 146,000 people during a six-month tour that included Hawaii, Okinawa, Japan, and Korea. A total of 105 performances at 57 locations included special shows for the International Jamboree of the Boy Scouts of America and USMA, West Point. A 30 percent increase in audience over FY96 speaks to the increasing popularity of this program. The USA Express, a soldier show band, toured Turkey, Bosnia, Hungary, Kuwait, Panama, Korea, Japan, and Hawaii during the holiday season.

- The 1997 U.S. delegation to the eighth NATO World Chess Invitational Tournament was again composed exclusively of Army participants. Although the team took sixth place, they finished only a point and a half from a medal.

- Eight members of the World Class Athlete Program qualified for biathlon and bobsled events at the Winter Olympics in Nagano, Japan. For the biathlon, the Army athletes were SPC Ntala Skinner, SPC Kristina Sabasteanski, SPC Kara Salmela, SGT Daniel Westover, and 1LT Robert Rosser. For the bobsled, the athletes were SPC Garrett Hines, SPC Darrin Steele, and SPC Dan Steele. Two other athletes qualified as alternates, with one named assistant coach in the biathlon (CPT Chuck Lyda) and another as driving coach in the bobsled (1LT Bill Tavares).

- All Army sports teams had a successful year, winning 8 of 17 contested Armed Forces Championships. An Army marksman, SSG James T. Graves, was named Army Male Athlete of the Year, and a track and field athlete, SPC Niambi Dennis, took Army Female Athlete of the Year honors and shared the Armed Forces Female Athlete of the Year title.



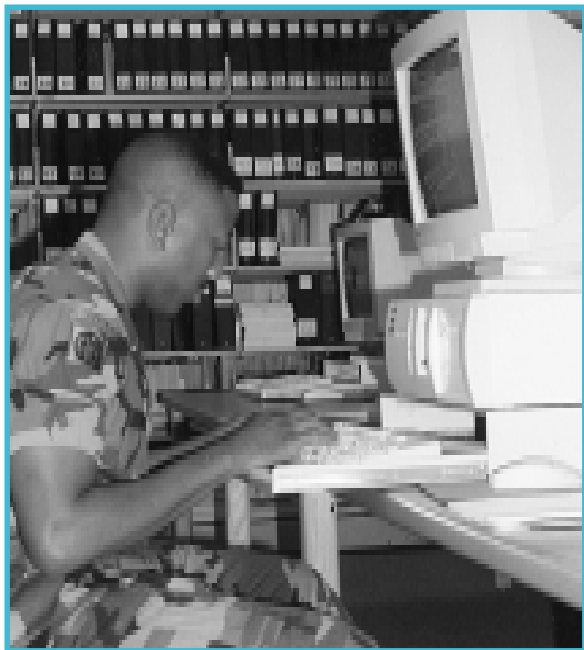
SPC Niambi Dennis, 1997 Army Female Athlete of the Year.

- Photo by Tony Duffy

SSG James T. Graves, 1997 Army Male Athlete of the Year.

- Photo courtesy of USAMU Public Affairs





SSG Patrick Porter uses the Military Occupational Specialty Library at the John L. Throckmorton Library, Fort Bragg, NC.

- Photo by Susan Spitalny

- MWR “downrange” continues to support soldiers deployed to Bosnia for Operation *Joint Guard*. Weight training, aerobic fitness equipment, libraries (103,000 paperback books), wide-screen televisions, Army & Air Force Exchange Service first-run movie video service, commercial phone access, and Armed Forces professional entertainment help pass time and provide a touch of home. To date, 89 civilian MWR professionals have voluntarily deployed with soldiers to enhance quality of life and unit readiness. During Operation *Joint Endeavor*, MWR established 53 service points, promoting physical fitness and providing recreational, social, and other support services. There are currently 26 service points and 24 MWR specialists in theater. Additionally, AAFES provides food and retail service at base camps.

Hospitality Programs

Aggressive marketing, high occupancy rates, and continued expansion efforts ensured that Armed Forces Recreation Centers and the Army Recreation Machine Program had a very successful year. Operations maintained an unwavering focus on the key success factors for hospitality programming: customer satisfaction, value-oriented services, and quality facilities and equipment. FY97 achievements include:

- Occupancy at Shades of Green for FY97 closed at 99.3 percent. Room renovations are complete on 100 rooms, and new in-room

amenities include coffee makers, irons and ironing boards, clock radios, and safes. Total unmet demand for accommodations equates to an additional 86 percent of the available rooms. The 287-room hotel generated NIBD of \$2.2M on total revenue of \$13.9M.

- For AFRC-Europe, FY97 was a year of challenge as it supported a highly deployed theater dedicated to peace-keeping missions, such as Operation *Joint Guard* in Bosnia. Throughout the year, AFRC-Europe offered a series of special vacation packages to reunite soldiers returning from extended deployments with their families. The most demanded program, the “Weekday Getaway,” provided a group package for returning battalions that included transportation from home station, three days lodging and meals, and two days of alpine activities. These reduced rate packages, combined with reduced patronage due to extended deployments, resulted in a net loss before depreciation of \$1.2M.

- The Dragon Hill Lodge was awarded the “Silver Award” from the Educational Institute of the American Hotel and Motel Association. This award recognizes the hotel’s achievements in measuring customer service, meeting customer service performance standards, and providing certification and independent learning programs for the hotel staff. This focus on customer service yielded an occupancy rate of 99 percent and a NIBD of \$6.1M.

- Two years after the addition of the Maile Tower, the 817-room Hale Koa Hotel achieved a 96 percent occupancy rate and a NIBD of \$7.3M.

- Despite troop reductions, flat slot machine revenues, and increased costs of expanding amusement game operations, overall Army Recreation Machine Program revenue increased by \$1.3M from FY96. In FY97, operations produced \$122.5M in revenue, of which \$101M (after expenses) will be used to finance major MWR programs throughout the Army.

Army Marksmanship Unit

The world’s finest team of shooters and gunsmiths had its most dominant shooting year in the last decade, with 14 National champions, 4 World Cup medals, the Army Athlete of the year, the U.S. Olympic Committee Shooter of the Year, and Interservice Team Champions in both rifle and pistol.

Support Services Initiatives

Asset Management/Privatization

With the approval of public-private venture procedures in FY97, the Army is now staging delivery on 19 projects. Partnering with the private sector supplements traditional MWR delivery methods, allowing installations to leverage real estate assets to provide facilities and services without NAF capital expenditures. In exchange for access to the MWR market and a long-term land lease, a private-sector partner will finance, build, operate, and maintain a facility or program, and provide an equitable return to the installation MWR fund. PPVs may not be viable everywhere, but can be tremendous “win-win” opportunities.

The 19 projects currently planned represent a potential NAF capital investment avoidance of \$134M. In perspective, the MWR NAF major construction program is funded at approximately \$40M per year. Successful completion of just 25 percent of PPV projects would augment MWR at a level equal to a year's worth of regular construction. All current projects are in the United States (Status of Forces Agreement limitations may apply overseas).

The PPV process is needs driven, beginning by request of the installation commander. The Asset Management Office serves as extended staff for the garrison commander, providing cross-functional expertise to assist with the process. Negotiations are almost complete on the Army's test project — a car wash at Fort Carson. Other PPV projects, in various stages of solicitation or preparation prior to solicitation, cover a range of MWR programming: guest houses, golf, family entertainment centers, outdoor recreation facilities, car washes, and movie theaters. Feedback from private industry is favorable for the program and the procurement process.

Commercial Sponsorship and Advertising

In 1997, commercial sponsorship income was reported for the fiscal (vice calendar) year. For the 9-month reporting period, installation and DA programs generated \$12.4M in cash, goods, and services, almost matching *total* income for FY96. Highlights include:

- Findings from the Army Audit Agency on the commercial sponsorship program (released 5 March 1997) rated the program as cost effective and adequately resourced at most of the 56 responding installations. Key management controls were issued to assist installations in proper program management.
- Additional sponsorship for the “1997 Dog Days of Summer” concert tour ensured a successful tour of 12 installations in FY97. The Miller Brewing Company, AT&T, VISA, Brown Foreman, and local media companies continued their support from FY96 for the tour, with new FY97 sponsors including Magic: The Gathering, 7-Up, and Kodak.
- The U.S. Army Soldier Show continued its successful tour with the sponsorship of the Veterans of Foreign Wars and the USPA&IRA. Operating costs were also subsidized by additional advertising sold in the show's program.
- The BOSS Commissary Awareness Campaign partnered with 33 installation BOSS programs, the Defense Commissary Agency, and eight commercial sponsors to provide over \$125,000 in cash and product samples to support the campaign. This campaign shows single soldiers the benefits and savings of shopping at local commissaries.



Soldiers of the 1997 U.S. Army Soldier Show entertain the audience with the hot song and dance number, “I Like It Like That.”

- Photo by Kevin Kim

Construction

Congress approved the FY98 NAF construction program as submitted. Working with installations, MACOMs, the Army Secretariat, and the Office of the Secretary of Defense, the construction directorate ensured the submission's accuracy and completeness. FY97 highlights are:

- The FY98 NAF MWR major construction program submitted to Congress totaled \$49.5M in projects (AMWRF funding, \$38.2M, and installation self-funding, \$11.3M).
- Interior and foodservice designs were completed for 139 projects in FY97, including NAF major construction, CPMC renovations, and Army theme concepts. Theme concepts remain popular with three Reggie's, four Strike Zones, and four Mulligan's in construction. The design staff participated in 14 assessment visits to evaluate installations' specific needs and determine preliminary construction costs. Completed projects include two Sports USA (Forts Stewart and McCoy), the Stryker Golf Club (Fort Bragg), the Catahoula Grill (Fort Polk), a guest house (Walter Reed Medical Center), and a major kitchen renovation of the Hartel House (Korea).
- During FY97, CFSC delivered 11 major construction projects, valued at \$39M, for the Army's MWR programs. As a joint service initiative, CFSC signed a memorandum of agreement with Navy and Marine Corps MWR to support their construction requirements on a cost-reimbursable basis, using CFSC's design-build process. CFSC executed four Navy projects and one Marine Corps project in FY97.



Contracting

The NAF Contracting Directorate continues to develop "First Choice" standards for excellence by further streamlining the acquisition process and empowering procurement teams. Accomplishments for the year include:

- Awarded six NAF major construction contracts, valued at \$21.9M, and six architect-engineering task orders, valued at \$225,000. These contracts cover such diverse projects as a theme restaurant, a lodge, a travel camp, an automotive center, club and golf course renovations, and a youth center expansion.
- Awarded major contracts in support of programs managed centrally for installations (such as NAF Cash Management, Workers Compensation Claims Adjudication, and the Army Concert Series). Administered \$13M in major contracts, calls on blanket purchase agreements, and credit card and small purchases. In addition, approximately 40 major contracts for various services, valued at over \$12M, are currently being administered.
- Expanded the Lodging Success Program to ten hotels in Atlanta, GA, and San Antonio, TX, providing Army travelers with rates below the Joint Travel Regulation per diem. Reservations are made through the Army Central Reservation Center. This program saves the Army over \$10M a year in travel expenses.
- Extended six regional indefinite delivery/indefinite quantity contracts for project validation assessments for an additional year. Awarded 24 task orders valued at \$585,000 against these contracts. Awarded a regional IDIQ contract for architect-engineer services in Europe. Two additional contracts, valued at \$8.7M, were awarded as a test to streamline the design-build process.
- Executed 46 contracts, valued at \$5.2M, in support of the Armed Forces Recreation Centers, the Army Recreation Machine Program, and Army Lodging.

Nineka Wright (left), Ingrid Santiago (center), and Matthew Brown going after a grounder during a T-ball game at Vicenza, Italy.

- Photo by Laura Kreider

Human Resources

The Human Resources Directorate continued to recruit, place, train, and maintain the Career Field 51 (MWR) workforce.

- The MWR Staffing and Referral Office assisted commanders in filling key positions by issuing 326 referral lists (217 NAF and 109 APF). Average processing time was 1.7 days.
- Ten trainees were recruited for the NAF Management Trainee program. Eight graduates of the program were placed in permanent positions Armywide.
- The BOD granted concept approval for developing and implementing a Centralized Career Management Program.
- The MWR Benefits Office initiated many improvements to employee benefits programs. Employees can now use the internet to access 401(k) accounts and run retirement projections. Medical and dental insurance were added for NAF retirees. Military retirement service credit (up to 5 years) was also added to the benefits program.
- The CFS Training Center trained 1,051 students in FY97, with a full curriculum of 38 courses. Virtually all annual training growth was due to expansion of cooperative training with other services. One Training Center instructor was also deployed to Bosnia to support MWR "downrange" and to learn, firsthand, the training needs of deployed MWR civilians. Four Installation Commander's Courses were delivered in 1997, training 18 general officers in installation management and MWR.

Information Management

Implementation and fielding of the MWR Management Information System continued in FY97. Specific accomplishments included:

- Enhancements and Year 2000 compliance for the Time Labor Management System. Ninety-six percent of worldwide NAF payroll accounts performed total electronic transfer of data to the Defense Finance and Accounting Service Central NAF Payroll Office at Red River Army Depot, TX. TLMS is the labor management portion of the NAF workforce management system. The cost of processing payroll dropped from \$2.15 to \$.95 a pay-check.
- Continued development of a Windows version of the Financial Management and Budget System. With many enhancements

and user-friendly tools, FMBS will provide an annual NAF budget development tool for installations.

- Fielded the Recreational Tracking System to 76 locations worldwide. RecTrac! provides facility and activity reservation and registration, league and tournament management, and a point-of-sale system for rentals and snackbars. Over 1,500 users were trained in FY97.
- Fielded the Golf Tracking System to 60 locations worldwide. GolfTrac! provides golf-course program management and a point-of-sale system for fees and retail operations. Over 500 users were trained in FY97.
- Continued sustainment of version 2.4 of Child Development Services Automated Management System. Development is continuing on CDSAMS version 3.0, to be released in 1998.
- Completed Armywide fielding of a Windows version of the Standard Management Information Reports for Finance system.
- Completed testing of a proposed Standard NAF Automated Contracting System. The first solution failed acceptance testing, and the second solution will be tested in early FY98.
- Selected Fort Sill, OK, and Aberdeen Proving Ground, MD, as model installations for total implementation of the MIS systems.

Marketing

Change 3 to the MWR Strategic Action Plan formally recognized marketing's contribution in providing demand-driven programs, activities, and services essential to readiness and the quality of life of America's Army. The transition from *Strategic Goal #6, Support Services*, to *Strategic Goal #2, Programs*, recognizes marketing's responsibility, disassociates it from "overhead," and makes it a participant in the delivery of programs, events, and services.

The MWRSAP formalizes a requirement to provide appropriate market information to all MWR programs and to ensure installation access to all marketing disciplines. The MWRSAP requires each installation to develop and implement a Strategic Business Plan. The MWR Strategic Business Planning Handbook and its accompanying Guidebook, distributed in 1996, provides in-depth, "how to" support for this process.

1996 Army Leisure Needs Survey: Most Desired MWR Programs	
	Library Services
	Travel/Tour/Ticket Agency Services
	Fitness Centers
	Youth Services
	Gymnasium/Playing Courts/Fields
	Army Community Service
	Child Development Services
	Outdoor Recreation Areas
	Automotive Shops
	Swimming Pools

Figure 1-11

The second Armywide survey of leisure activity participation and customer-perceived quality of MWR programs and facilities was completed in May, with seventy-two installations participating. Eighteen U.S. Army Europe and Seventh Army sites will be surveyed in 1998. From an Armywide database of the results, CFSC issued MACOM and installation reports electronically, eliminating printing costs. Based on survey data from all market segments, the top ten most desired MWR programs are at Figure 1-11.

In March, 120 Army marketing personnel were trained in conjunction with the American Logistics Association Trade Show in Dallas. The training featured performance-oriented, graduate-level marketing instruction. Private-industry managers discussed delivering value through marketing leadership, leisure needs survey report interpretation, and methodologies for measuring marketing effectiveness.

Strategic Planning and Policy

In late FY97, broad revisions to the MWR Strategic Vision were forwarded to the BOD's Executive Committee for approval, including a new MWR vision and mission statement (Figure 1-12), intended to make Army MWR programs the first choice for patrons.

MWR Vision and Mission	
Vision	<i>"First Choice"</i>
Mission	Create and maintain <i>"First Choice"</i> MWR products and services for America's Army, essential for a ready and self-reliant force

Figure 1-12

Major revisions to the MWR Strategic Action Plan were also developed. Since publication in October 1994, most of the plan's actions have been completed (e.g., financial standards, enhanced NAF employee benefits, a streamlined construction process, and a global management information system). Proposed revisions add objectives based on Malcolm Baldrige and the President's Quality Award processes, allowing MWR to explore best business practices and performance-based measures. Combined, the updated vision, mission, goals, and strategic action plan strengthen planning and refocus MWR on global, long-term continuous improvement and a total customer orientation.

The demographics of the Army's soldiers and family members are changing. As shown at Figure 1-13, a declining population of soldiers and family members is becoming increasingly based in the continental United States.

Demographic Trends	
	% Change FY92-97
Total Population	
Soldiers	-20 %
Family Members	-18 %
OCONUS Stationing	
Soldiers	-36 %
Family Members	-50 %
CONUS Stationing	
Soldiers	-14 %
Family Members	-6 %

Figure 1-13

CFSC collected additional data to document the impact of MWR programs on readiness and quality of life:

- The Walter Reed Army Institute of Research completed an assessment of burnout among Army volunteers and its implications for soldier and family readiness. Results show that burnout is not a serious problem for most Army volunteers. Only 15-20 percent of the 700 respondents reported burnout, but due to the limited number of volunteers, increasing demands, and a lack of resources and appreciation for their efforts, burnout could become a problem in the future.
- Data from the Fall 1996 Sample Survey of Military Personnel reported high soldier satisfaction with Army family, recreational, and child and youth programs (Figure 1-14). The report also noted that 38 percent of enlisted personnel and 15 percent of officers participated in the BOSS program, and 73 percent of

officers and 61 percent of enlisted personnel consider AFRCs a better value than commercial recreation opportunities.

Fall 1996 Sample Survey of Military Personnel	
	% Satisfied
Availability of...	
Family Programs	71 %
Recreational Programs	84 %
Youth Services	82 %
Child Care Programs	65 %
Quality of...	
Family Programs	71 %
Recreational Programs	86 %
Youth Services	82 %
Child Care Programs	65 %

Figure 1-14

The Army continued to make progress in recouping NAF resources from real property disposal at Base Realignment and Closure sites. From property disposal at three BRAC installations in FY97, NAF will recoup \$4.5M from deposits to the U.S. Treasury Reserve Account. NAF shares of future BRAC payments will total \$5.5M. To date, a total of \$2.2M in BRAC funds has been received for NAF severance pay and relocation costs.

In late 1997, the BOD's Executive Committee chartered an MWR Contingency Operations Steering Committee, whose charter is to establish doctrine, policy, and operational planning guidance to support MWR in deployed scenarios. Doctrine must be continually monitored. In many cases (e.g., Somalia) civilian assets may not be approved into the command, thus units must be self-sufficient for MWR until follow-on support is available. Additionally, no requirement or definition of kits exists to support recreation above the unit level. At its inaugural meeting in Heidelberg, Germany, the committee developed an action plan to modernize contingency operations and revised MWR contingency doctrine and policy (pending publication). The COSC action plan returns responsibility for deployed recreation to the Unit Commander while the DCA/DPCA has the responsibility to train unit personnel prior to departure.

Public Affairs

The public affairs office promotes Army MWR through command information, public communication, and community relations. Significant accomplishments for FY97 were:

- Produced six issues (33,600 copies) of *Feedback*, the Army's MWR command information newsletter. Three issues contained

24 pages and three contained 28 pages, with an average cost of \$.95 per copy. Eighty-nine percent of respondents to a reader survey consider *Feedback* useful to their jobs, and 85 percent find the publication to be a good source for new ideas.

- Submitted 38 hometown news forms to the Army/Air Force Hometown News Program, generating 171 hometown news releases.
- Established a special MWR folder on the Army Public Affairs network, "PA Link." Army installation and unit publication editors can access and download CFSC PAO news releases, features and photographs, allowing wider use of news releases (44 in FY97).
- Coordinated with *Soldiers Magazine* on a special two-page feature spread of the U.S. Army Soldier Show in the August 1997 issue.
- Continued our partnership with Soldiers Radio and Television. The CFSC broadcaster produced more than 90 radio stories and 23 television news or feature stories for SRTV. He traveled to Bosnia to document MWR support to Operation *Joint Endeavor/Guard* and used the footage to produce a documentary film about "MWR Downrange." He also developed and produced a special MWR radio show called "MWR Break," broadcast to CONUS installations via Soldiers Satellite Radio Network.
- Partnered with the Marketing Division to design and produce 10,000 copies of a 44-page, four-color MWR booklet to educate internal and external audiences about CFSC and MWR programs.



PFC Jason Shuman plays guitar during down time at Comanche Base in Tuzla, Bosnia-Herzegovina.

-Photo by SPC James R. Sapp



Section 2

strategies
for the
futurefy98 and
beyond

*Eagle Trace
Golf Course*



*Benchmarks for golf,
bowling, and food and
beverage operations
can be found at Fort
Excellence, at
www.armymwr.com*

Business Programs

The Internet is fast becoming the world's choice for communication and information. Internet communications with soldiers, MACOM and installation MWR program managers, and activity managers will soon become the medium of choice.

The Army MWR website, at <http://www.armymwr.com>, hosts a wealth of information, from bowling, golf, and food and beverage benchmarks, to guides for developing business plans, theme concepts, and Fort Excellence. Fort Excellence is a representation of excellence in Army business programs, describing the facility, staffing, maintenance, and operations from a customer service, operational, and financial perspective. Sample business plans are also provided. Fort Excellence currently comprises the Eagle Trace Golf Course and Patriot Lanes Bowling Center, with a food and beverage site planned for FY98. Program benchmarks are updated every two years and placed on the web, providing easy access to commanders and managers.

Plans include a "virtual ticket office" on the internet where soldiers can purchase tickets for events or air travel, with local MWR funds receiving a commission. This will reduce labor expense and overhead cost, while also providing soldiers 24-hour access.

We continue to focus on food, beverage, and entertainment programs that are responsive to the needs of soldiers and families. Tailored to local market demands, theme concepts are being installed at many CONUS and OCONUS locations.

A primary objective in FY98 is to improve the infrastructure of golf courses, especially irrigation systems and maintenance facilities. In the FY99 construction program, the BOD reserved funding for construction of maintenance facilities; however, many courses also require irrigation systems to maintain the course and generate additional revenue and net income. Alternative funding strategies for irrigation projects are in development. Golf and bowling Pro Shop operations will be improved by expanding consolidated buying opportunities and improving product selection and display.

The Army Lodging Directorate will proceed with the purchase and implementation of a commercial, off-the-shelf property management system for lodging operations. Guest house operations are included in the system test, with the ultimate objective to include guest house operations in the deployment plan, thereby standardizing property management practices and reporting capabilities throughout the Army.

Family Programs

In April 1998, CFSC will host the initial biennial Army Family Action Plan Process Action Team. The AFAP PAT takes the place of the HQDA AFAP Conference in non-conference years and ensures a forum for grassroots representatives to review issues from the field that are raised to Department of Army level. The PAT will be composed of eighteen soldiers, family members, and retirees, who will present recommended new issues to the Vice Chief of Staff, Army, during the AFAP General Officer Steering Committee meeting.

The FY97 Presidential Executive Memorandum on Child Care will result in many initiatives. In addition to the newly formed child care information clearinghouse and speakers bureau, DoD plans include a training video for state child care administrators, a military child development web site, and child care programs of excellence. The Army will participate in each initiative and will also develop a tour protocol guide for military child development program managers and serve as executive agent for a three-day Joint Services Child Care Conference.

Child care benchmarks will be developed in FY98 to evaluate availability, affordability, and quality of care. In addition, a new child and youth services initiative, Promise Passport, will be launched to encourage volunteering and community service, thereby building on the President's Summit for America's Future.

In FY98, the Army will seek to expand its partnership with the Boys and Girls Club of America to further enhance youth programming at installations. This will allow installations to participate in regional and local training, contests, and take advantage of technical assistance and member publications. The number of participating installations should increase from eight to twenty by year end.

Army Community Service will continue to focus on program evaluation and outcome measures as it completes restructuring efforts in FY98.

Recreation Programs

The Recreation Delivery System will be fully implemented Armywide by FY01. Installations can choose to implement either by desk-side reference manuals or by requesting assistance teams to lead them through the necessary steps.

The World Class Athlete Program will begin training for the XIII Pan American Games, scheduled for August 1999, and the XXVII Summer Olympics, in September 2000.

In FY98, the Automotive Skills Program will bring hands-on technical training to more individuals at less cost than ever before via a traveling technical training program. A professional trainer will travel to approximately 25 installations to provide two-day workshops on automotive diagnostics and repair.

Library priorities are to update baseline automation, improve access to materials, and augment inter/intra-library data connectivity. Central purchase of reference and other basic materials will continue, as will the focus on providing paperback books to soldiers in the field. In FY98, DoD expects to publish standards for achieving and maintaining quality libraries.

Hospitality Programs

For AFRC-Europe, aggressive marketing efforts are underway to increase patronage. In FY97, aggregate AFRC-Europe occupancy rates were 79.8 percent in the five hotels in Garmisch and Chiemsee (337 guestrooms). Extended deployments from the theater were the major cause of reduced occupancy.

At the Hale Koa Hotel, a \$1M renovation of Ilima Tower guestrooms is slated for completion in February of 1998, with a 6-7 year \$35M major renovation of the 22-year-old infrastructure to begin by the end of the calendar year. This project will be funded with revenues generated by the AFRCs.

Design of the planned Dragon Hill Lodge expansion was completed in FY97. The expansion, to be completed in FY00, will add a two-level parking garage and 95 additional guestrooms — for a total of 396 guestrooms.

Planning began in FY97 to relocate the Army Recreation Machine Program headquarters from Frankfurt, Germany to Fort Carson, CO. This relocation of personnel and assets, to be completed by May 1998, will result in an estimated annual cost savings of \$1.2M.

Army Marksmanship Unit

The Army Marksmanship Unit will expand its role in enhancing Army combat readiness. As directed by the Army's Chief of Staff, AMU will review Army basic rifle marksmanship training. AMU will also increase support to the U.S. Army Recruiting Command and double the frequency of clinics and demonstrations to share shooting lessons learned. As the Sydney Olympics approach in 2000, AMU plans another dominant shooting year.



Support Services Initiatives

Asset Management/Privatization

In response to the growing government emphasis to seek alternative means to provide facilities and services, the CFSC will continue to pursue NAF public-private ventures and also explore how best to partner PPVs with other privatization opportunities. As part of an ongoing improvement and refinement process, the Asset Management/Privatization Office will focus on how to streamline the PPV process to provide greater benefit to MWR and the Army family. Our experiences and expertise will be shared with the other Services and other government entities through formal Memoranda of Agreement and informal consultation.

Contracting

Future initiatives include a consolidated procurement of amenity kits and fitness equipment; a consolidated procurement of library books for the Army and the Navy; and a joint Fort Sill, Army Materiel Command, and CFSC test of an integrated, standardized NAF contracting system for potential Armywide fielding. Designed to automate procurements from purchase request through contract award and close-out, the system will also collect trend data needed to project future requirements. A module for International Merchants Purchase Authorization Card credit purchases is included. Plans also include internet electronic commerce.

The first annual Army NAF Purchase Review Board met in June 1996, and identified 20 supply items to include in the Army and Joint-Service Standardized and Consolidated Acquisition Program. The PRB's charter will be revised in FY98. Efforts continue to increase PRB representation from golf and bowling program managers.

Construction

The Construction Review Board will transition into the Capital Investment Review Board, in accordance with the Strategic Action Plan. The CIRB will continue to review the NAFMC program based on a matrix evaluation. A new NAFMC matrix and a minor construction matrix will be reviewed by the MWR BOD's Working Group in August 1998 for possible implementation during the January 1999 CIRB (for the FY00 construction program). In addition to the NAFMC and minor construction review, the CIRB will review special project requirements and public/private venture start-up funding.

Human Resources

The future quality of key MWR managers depends on implementation of a Career Management Program for Career Field 51. Phase I (executive level) will be implemented in 1999, with Phases II and III (specialist and entry level, respectively) implemented by 2001.

Development and delivery of training for Recreation Program Managers will be based on the training needs assessment conducted this past year.

The Training Center has been studying the application of distance/distributed learning technology to the Master Training Program. The CFS Management Course has been available by correspondence for two years, and the Basic NAF Contracting Course will be available by correspondence in May 1998. The goal is to have 25 percent of the Training Center's curriculum delivered via distance learning by 2003.

The Defense Authorization Act for FY95 mandated a uniform health benefits program for DoD NAF employees. The DoD NAF Health Benefits Plan, to be effective 1 January 2000, will consist of: Preferred Provider Organizations, Point of Service, Out of Area Option (traditional indemnity), dental coverage, and subsidized retiree medical/dental coverage.

Marketing

In coordination with the Army Management Information Steering Committee, plans are underway for a data warehouse and on-line analytical processing capability for Army MWR. When completed in FY00, this will provide market management information to program managers.

Twenty Army level programs have been identified that require complete marketing plans. Three plans are scheduled for FY98: AFRC Europe, the Recreation Delivery System, and theme restaurants.

The role of the MACOM Patron Survey Advisory Council has expanded. The Council will assist in assuring installation commander access to all disciplines necessary to support the complete marketing process.

The first 80-hour course for Army Marketing Managers will be conducted in FY98 at Texas A&M University in College Station, TX.

Strategic Planning and Policy

Development and fielding of the Installation Status Report Part 3 - Services will continue. Functional proponents at CFSC will review feedback from a field test of quantitative standards. Installations will then conduct an Armywide evaluation, and functional proponents will draft qualitative standards, or "how well done" standards, for services.

In late 1997, CFSC convinced the Assistant Chief of Staff for Installation Management to include the residual base operations functional area assessment issue, "Prioritize Quality of Life Services," in ISR Part 3. The original recommendation was to create a rank ordered list based on contribution to readiness, mission of the installation, and availability of off-post resources. However, that approach infringed on installation prerogatives, failed to acknowledge the importance of revenue generating programs to MWR, and required an installation by installation review. Once program service standards are implemented, installations can determine for themselves if their level of investment provides a satisfactory return.

The MWR Contingency Operations Steering Committee will continue to develop doctrine, policy, and operational planning guidance to support Army deployments. Joint Chiefs of Staff planning guidance to warfighting Commander-In-Chiefs will include kits for programs above the unit and will standardize and preposition these kits for expedited deployment. During post-deployment, the kits will be returned to the materiel management systems to be refurbished and placed on-line for the next deployment. These two steps, and much more, have been submitted as changes to Field Manual 12-6, Personnel Doctrine. Joint publication 1-0 (draft) will also include MWR in all Joint Operations Planning.

Section 3

**a quality
workforce**

**trained
and ready**

A quality workforce is key to delivering effective programs. To reach this goal, MWR must develop, improve, and adapt programs and systems to improve management and effectiveness of a diverse workforce.

Career Development Programs

NAF Management Trainee

Each year this centrally funded program places up to 10 college graduates in MWR positions. In 1997, ten trainees were hired into the trainee program: three in club management, two in hospitality, two in marketing, two in outdoor recreation, and one in golf management. MWR conducted regional training at Forts Hood, Bragg, Myer, Lewis, Benning, Carson, and the Shades of Green. In FY97, eight graduates from the FY95/96 programs completed on-the-job training and moved into permanent positions.

Continuing Education Units

Popular in the field and at the CFS Training Center, students earn Continuing Education Units for completing Training Center courses and installation, MACOM, and Headquarters' training events that meet standards set by the International Association for Continuing Education and Training. One CEU is awarded for each ten contact hours of instruction in a sponsored nonacademic setting.

Training with Industry (TWI)

The TWI program remains open to MWR personnel as a career enhancement opportunity. Prior training with organizations such as the Atlanta Committee for the Olympic Games and Oglebay Park Conference Center exposed participants to unique learning environments that benefited the installation and the Army.

Job Swap and Developmental Assignments

Job Swap exchanges usually last for six months, although timeframes and locations are carefully constructed to meet the needs of program managers and the individuals involved. Developmental assignments are long-term assignments at CFSC headquarters.

Master Training

In FY97, the CFS Training Center conducted resident training for 1,051 students (program-level to installation command). Figure 3-1 highlights cumulative training attendance since 1988. The Center significantly expanded cooperative training ventures with other Services. The Applied Financial Planning and Forecasting course is popular with Marine Corps managers, and the Marine Corps Senior Managers' Course is now an integral part of the curriculum.

The American Council on Education, in an annual review of Training Center courses, maintained college credit eligibility for students of resident courses. These courses prepare the workforce for the challenge of delivering *First Choice*, customer-driven MWR programs to soldiers and their families.

Total Students Trained By Course	
281	ACS Management
168	Bowling Managers' Course
2,433	CFS Management Course
135	Contract Administration
162	Contract Law
136	Contract Negotiation
135	Cost & Price Analysis
104	Construction Contracts
336	Child Development Center Directors' Course
237	Youth Services Course
48	Brigade Recreation Specialists' Course
281	Club Management Course
578	Division Chiefs' Course
189	DPCA Course (incl EDC)
714	Food & Beverage Management Course
298	Golf Managers' Course
515	NAF Advanced Contracting
1,035	NAF Basic Contracting
151	SPS/FCC Course
115	Training & Curriculum Specialists' Course
51	Joint Family Support Directors' Course
74	GO Installation Commanders' Course
8,176	Total

Figure 3-1

NAF Employee Benefits

In FY97-98 the Preferred Provider Program continues to operate without an increase in premiums, a result of switching from the fee-for-service plan in 1996. Savings generated by this managed care program are reflected in annual premium stability. The PPP services 95 percent of CONUS participants. This program will end and become the NAF Health Benefits Plan effective 1 January 2000, in accordance with the Defense Authorization Act for FY95.

Section 4

financial
report

army mwr

Army MWR corporate finances are the combined total performance from field operating NAFIs, the ARMP, and the AMWRF. Section 1 of this report shows how these elements, taken in the aggregate, performed from FY96 to FY97. In addition, Section 1 reviews field operating results for the same period. Below are the summarized balance sheet (Figure 4-1) and the summarized statement of income and expense (Figure 4-2), which support the analysis in the executive summary. The remainder of this section addresses individual Headquarters Department of the Army funds managed at CFSC.

As of 30 September 1997, the overall financial position of Army operating funds remained sound. The Army continues to invest in modernizing the MWR physical plant, increasing the fixed-asset base by \$53.4M during the year. Current assets rose by \$18.1M with current liabilities increasing only

\$7.5M. Other assets show an increase of \$15.3M due to the AMWRF picking up a long-term loan receivable that had not yet been recorded on an installation's books. As of 30 September 1997, the outstanding balance of the AMWRF loan to the Army Banking and Investment Fund was \$125M reflected in long-term liabilities.

Figure 4-2 illustrates the statement of FY97 APF and NAF operations compared with FY96. The NAF revenue and expenses have been reduced by \$3.1M in this display to preclude overstatement of resources due to the Uniform Resource Demonstration. Under URD, APF and NAF are combined into a single resource, with MWR services being provided using NAF rules and procedures. The APF portion of URD is reflected under the Operations and Maintenance Army account and other appropriations. Total APF support increased \$3.1M, primarily in Military Personnel Army and other appropriations (such as

Summarized Balance Sheet: Army MWR Operating Funds

	30 Sep FY96	30 Sep FY97	Change
Assets			
Current Assets			
Cash/Investments	\$241,702,615	\$256,542,091	\$14,839,476
Receivables	34,522,375	37,074,117	2,551,742
Inventories	33,466,186	33,301,818	(164,368)
Prepaid Items	<u>23,407,234</u>	<u>24,302,985</u>	<u>895,751</u>
Total Current Assets	\$333,098,410	\$351,221,011	\$18,122,601
Fixed Assets	1,729,111,384	1,782,474,377	53,362,993
Accumulated Depreciation	<u>671,964,807</u>	<u>735,719,510</u>	<u>63,754,703</u>
Book Value Fixed Assets	\$1,057,146,577	\$1,046,754,867	(\$10,391,710)
Other Assets			
Capital Commitment/Sinking Funds	9,933,108	13,108,986	3,175,878
Separation Sinking Funds	2,544,228	3,213,932	669,704
Other	<u>37,892,176</u>	<u>53,178,742</u>	<u>15,286,566</u>
Total Assets	\$1,440,614,499	\$1,467,477,538	\$26,863,039
Liabilities			
Current Liabilities			
Accounts Payable	\$34,579,694	\$39,956,382	\$5,376,688
Other	<u>149,454,348</u>	<u>151,601,219</u>	<u>2,146,871</u>
Total Current Liabilities	\$184,034,042	\$191,557,601	\$7,523,559
Total Long Term Liabilities	<u>\$129,317,367</u>	<u>\$135,248,945</u>	<u>\$5,931,578</u>
Total Liabilities	313,351,409	326,806,546	13,455,137
Fund Equity	<u>1,127,263,090</u>	<u>1,140,670,992</u>	<u>13,407,902</u>
Liabilities and Fund Equity	\$1,440,614,499	\$1,467,477,538	\$26,863,039

Figure 4-1

Army Working Capital (formerly Defense Business Operations Fund), Information Systems Command, and Research, Development, Testing and Evaluation). NAF revenue increased \$58.4M over FY96, largely because of \$41.6M in increased AAFES payments to MWR (a \$23M increase in AAFES core divided to AMWRF, \$16M in tobacco earnings, and a \$2.6M increase in the Army Simplified Dividend). Additionally, fees and charges increased \$13.6M. NAF expenses declined \$4.7M. Of particular interest is the shift of overhead labor (-\$5.6M) to operating labor (+\$3.2M) and an overall decrease in other expenses of \$3.3M. The NIBD yielded a \$63M increase over FY96. FY97 was the first year in recent history that also reflected a positive NIAD Armywide. However, the field NAFI component of the Army operating funds still did not generate enough income to maintain levels of capitalization annually.

Army Morale, Welfare and Recreation Fund

This is the MWR Board of Directors' fourth year of financing strategies to modernize the MWR NAF physical plant. The long-range plan redirects field NAFI revenue to the AMWRF for worldwide application and authorizes borrowing from the Army Banking and Investment Fund. FY97 saw the continuation of this extremely aggressive capitalization plan with over \$65M paid out for regular construction, \$15.2M for management information systems, and \$3.8M for Eighth U.S. Army's cable television program. While the largest portion of the AMWRF's cash finances capital requirements, the fund also invests in other Armywide programs, such as master training, interns, patron surveys, and marketing. The next largest allocation is for field services such as the Army Soldier Show, Army Sports, arts and crafts contests, and

Summarized Income and Expense Statement: Army MWR Operating Funds

	FY96	FY97	Change
Revenue			
APF: Military Personnel	\$18,948,979	\$36,461,167	\$17,512,188
Operations & Maintenance, Army	391,071,366	391,947,592	876,226
Other Operating	9,307,235	19,366,661	10,059,426
DLA	6,652,080	11,212,050	4,559,970
MCA	<u>16,800,000</u>	<u>15,400,000</u>	<u>(1,400,000)</u>
<i>Subtotal</i>	\$442,779,660	\$474,387,470	\$31,607,810
NAF: Sales	267,777,413	270,940,816	3,163,403
Gross ARM Revenue	121,181,809	122,777,950	1,596,141
Central Fund AAFES Dividend	24,401,632	63,438,550	39,036,918
ASD/Other AAFES	79,108,772	81,699,332	2,590,560
Other Revenue (Net of URD)	402,536,631	416,165,470	13,628,839
Interest Income	<u>8,663,296</u>	<u>7,002,220</u>	<u>(1,661,076)</u>
<i>Subtotal (Net of URD)</i>	<u>\$903,669,553</u>	<u>\$962,024,338</u>	<u>\$58,354,785</u>
Total Revenue and Appropriations	\$1,346,449,213	\$1,436,411,808	\$89,962,595
Expenses			
APF: Operating Labor	201,237,473	221,532,191	20,294,718
Overhead Labor	49,328,241	61,130,207	11,801,966
Other Operating Costs	<u>175,413,946</u>	<u>176,325,072</u>	<u>911,126</u>
<i>Subtotal</i>	\$425,979,660	\$458,987,470	\$33,007,810
NAF: Cost of Goods Sold	118,525,159	119,478,476	953,317
Operating Labor (Net of URD)	364,275,350	367,503,781	3,228,431
Overhead Labor (Net of URD)	114,607,498	108,967,652	(5,639,846)
Other Operating Costs (Net of URD)	<u>208,789,987</u>	<u>205,511,565</u>	<u>(3,278,422)</u>
<i>Subtotal (Net of URD)</i>	<u>\$806,197,994</u>	<u>\$801,461,474</u>	<u>(\$4,736,520)</u>
Total Operating Expenses	1,232,177,654	1,260,448,944	28,271,290
Military Construction Army	<u>16,800,000</u>	<u>15,400,000</u>	<u>(1,400,000)</u>
Net Income Before Depreciation	97,471,559	160,562,864	63,091,305
Depreciation	<u>105,871,559</u>	<u>109,059,162</u>	<u>3,187,603</u>
Net Income (Loss)	(\$8,400,000)	\$51,503,702	\$59,903,702

* Uniform Resource Demonstration Revenue: \$3,102,863

Figure 4-2

BOSS, as well as self-sufficiency exemptions. Finally, the fund supports a portion of the NAF administrative budget for CFSC. Figure 4-3 shows how the AMWRF dollar was allocated for FY97.

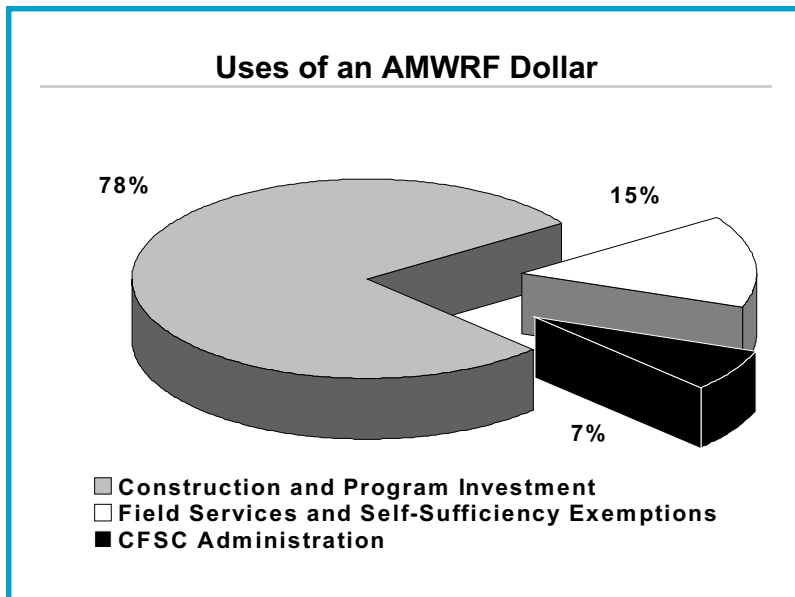


Figure 4-3

Army Recreation Machine Trust Fund

The ARM Trust Fund, established to administer the Army's Recreation Machine operating profits, continues to be one of the most consistent sources for financing MWR capital requirements. During FY97, the fund received \$76.4M in profit distribution from ARM operations. The profits were down \$2.7M from the FY96 level, largely because of declining customer bases in both Europe and the Far East. Major uses of cash for FY97

on a cash-flow basis (which included cash on hand at the beginning of the period) were \$74.5M in shared distributions, \$1.2M for construction, and \$6.7M for internal ARM operations capital needs.

Army Banking And Investment Fund

The Army Banking and Investment Fund manages a pool of U.S. Government securities on behalf of its participants and pays interest based on the earnings of that portfolio. During FY97, the ABIF provided cash management and investment services to 425 Army and DoD entities. Participants earned a compounded rate of 5.84 percent on their average deposited balance. During the year, the ABIF distributed \$15M as interest income.

Invested cash rose slightly during the year, from \$268M on 30 September 1996 to \$274M on 30 September 1997. Current projections (Figure 4-4) reveal that FY98 will experience a decline to \$260M, but FY99 and out will see a gradual increase.

Army Central Insurance Fund

Despite suffering some heavy losses in the tort program, the ACIF showed a net income of \$7.2M. This net income was primarily due to the annual actuarial study, which reduced reserve requirements for the Workers' Compensation Program. This excess reserve will be returned to NAFIs in the way of a reduced rate for FY98. In the same manner, Unemployment Compensation costs were reduced to \$3.3M, also resulting in a rate reduction. The Property Program did not suffer any major catastrophic losses; money and securities and fidelity bonding losses were lower than previous years. During FY97, employee and customer safety were emphasized. Safety posters and an analysis of paid tort claims were provided to NAFI fund managers in an effort to make staff members more aware of safety concerns.

Army Central Retirement Fund

The ACRF represents the total of employee and employer contributions and investment earnings on those contributions (plan assets) for the U.S. Army Nonappropriated Fund Employee Retirement Plan. The fund pays accrued benefits to participants and their survivors.

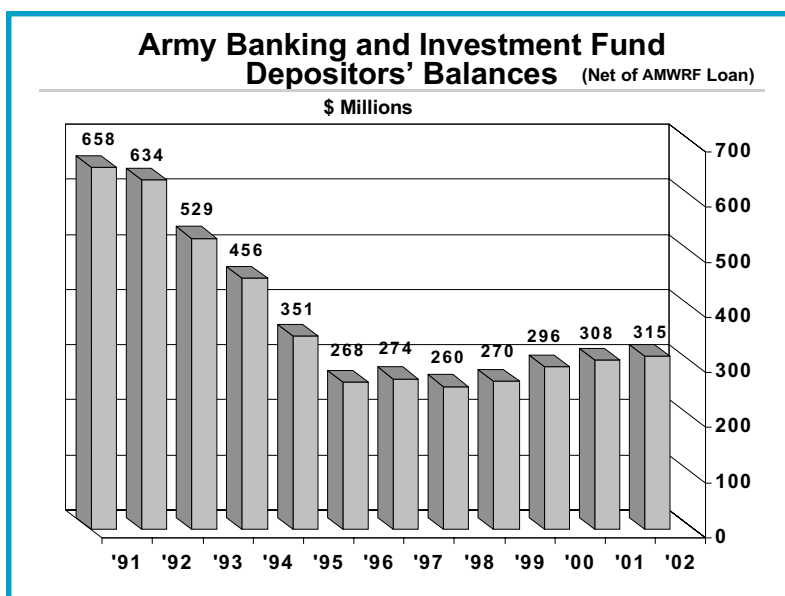


Figure 4-4

As of 1 October 1996, the date of the last available plan actuarial valuation, the value of benefits that participants have earned to date (actuarial present value of accumulated plan benefits) was \$321.7M. This value is the amount required to satisfy all the plan's obligations if it were terminated today. The market value of assets available on 1 October 1996 was \$361.9M; therefore the funded ratio was 113 percent.

A more important measure of the plan's financial health is its ability to meet the obligations for benefits that will be earned in the future. An enrolled actuary makes these computations annually. The total actuarial accrued liability as of 1 October 1996 was \$354.6M, compared with \$318.5M one year before, with the actuarial value of assets \$328.5M. Therefore, the unfunded actuarial accrued liability was \$26.2M on 1 October 1996. Amortization of this shortfall will continue over several years and is reflected in the rate charged employers and NAF employees.

Retirement plan assets are in a trust fund that can be used only to provide benefits to participants as authorized by the plan. Five trustees control the trust and are responsible for investing assets in authorized investments such as stocks, bonds, real estate, and government instruments. Assets are invested so that, over time, the return on investment meets the long-term assumptions on which the plan is based. The plan paid NAF retirees and their beneficiaries \$18.3M in FY97 including a 2.9 percent COLA on 1 April 1997.

On 30 September 1997, the plan's assets totaled \$433M. These assets were invested as shown in Figure 4-5. The return on investment earned by these assets for the year ending 30 September 1997 was 22.4 percent.

Army Medical/Life Fund

The Army offers health, dental, and life insurance benefits to its regular NAF employees. The AMLF collects premiums from employers and employees (and the Army MWR Fund for the self-insured preferred provider option only) based on participant enrollment in the health benefits options. Alternatively, employees may elect health benefits coverage through health maintenance organizations. Claim expenses for

Asset Class	Amount (\$M)*	Percent *
Stocks (equities):		
Domestic	\$ 204	47
International	83	19
Fixed Income (bonds)	123	28
Real Estate	10	2
Venture Capital	10	2
Other (Govt/Govt insured)	3	1
TOTAL	\$ 433	100.0

Figure 4-5

* Totals may not add because of rounding

the preferred provider option are satisfied by disbursements directly to affiliated medical service providers after the plan takes its discounts. When services are provided from outside the preferred provider network or for any dental claims, participating employees are reimbursed directly. In order to preserve the tax-preferred status of life insurance benefits, the AMLF reimburses a contracted insurance carrier for benefits paid to beneficiaries of deceased participants in the life insurance program.

401(k) Savings Plan

The USANAF Employee 401(k) Savings Plan continues to grow at impressive rates. As of 30 September 97, the total individual 401(k) Savings Plan account balances were \$71.3M, an increase of \$21M from the same date last year. Figure 4-6 shows investment returns for the seven funds available to employees as investment options. Enrollment increased 8.31 percent during FY96-97 as a result of our on site educational seminars at some CONUS locations. Additional seminars are planned for FY98 for CONUS and OCONUS.

U.S. Army NAF Employee 401(k) Fund		Average Annual Total Return % Period Ending 30 September 1997		
Investment Fund	1 Year	5 Year	Life of Fund	
Retirement Money Market Fund	5.38 %	4.60 %	5.62 %	
U.S. Bond Index Fund	9.60 %	6.89 %	9.04 %	
Asset Manager Fund	25.15 %	13.53 %	13.69 %	
Growth & Income Fund	34.35 %	21.48 %	19.80 %	
Growth Company Fund	27.18 %	21.41 %	18.40 %	
Overseas Fund	24.53 %	14.59 %	18.38 %	
U.S. Equity Index Fund	40.07 %	20.48 %	17.47 %	

Figure 4-6

Section 5

program status reports

Army Community Service

In FY97, \$43.5M APF was programmed for ACS, a 7 percent increase over the \$40.6M funded in FY96. The overall FY97 APF obligation was \$37.9M, or an 87 percent obligation rate (down from 92.9 percent in FY96). The Family Advocacy and Relocation programs obligated \$44M and \$4.8M of DoD funding, respectively. Figure 5-1 summarizes total FY97 operating costs.

ACS proponents are developing a performance-based management system that will use quantifiable data to measure program effectiveness. Site visits at seven locations yielded indicators of program effectiveness, data currently available, time estimates, and other information needed to derive the costs of program outcomes and benefits. This information will guide future ACS restructuring to produce a results-oriented agency.

Family Advocacy Program

Reported incidents of child and spouse abuse were down 6 and 4 percent, respectively. Likewise, initial substantiated cases were down 6 and 10 percent. An audit conducted by the Army Audit Agency confirmed that FAP managed funds according to guidelines and maintained appropriate internal controls. Program emphasis is on accountability, performance outcome measures, and accountability of treatment services through the Social Work Service Management Information Systems. The Family Advocacy

Instructional System program, a distance learning initiative, is also ready for implementation.

Consumer Affairs and Financial Assistance Program

Many improvements were made to personal financial readiness training for soldiers and families. CAFAP adopted a life-cycle approach (entry-level/first-term to mid/senior-level) of proactive financial planning and education classes and seminars for soldiers and families. A standardized financial management education program is also in development targeted at first-termers. For junior enlisted soldiers scheduled for their initial PCS, unit commanders are now required by policy to refer them to ACS for mandatory relocation financial planning classes and counseling. Outcome measures that will examine the program's impact on mission readiness are in development.

CAFAP partnered with AAFES' Deferred Payment Program to counsel and assist soldiers having problems paying their accounts. CAFAP is also coordinating with OSD to develop education materials and certification for financial counselors.

Exceptional Family Member Program

The EFMP continued to emphasize standardization, accountability, and technical assistance. To promote Service standardization, the Army participated with the DoD proponent in drafting and coordinating EFMP enrollment criteria and medical and educational questionnaires. The Army issued Change 1, AR 608-75 (EFMP). The CFSC established partnerships with OCONUS MACOMs and the DoD Education Activity to identify soldiers and civilian employees for whom no EFMP coordination occurred prior to arrival so that necessary corrective action could be taken. Joint HQDA and MACOM visits to seven installations assessed EFMP regulatory compliance and provided technical assistance to local staff.

Relocation Assistance Program

Periodic reassignment is a reality in the Army. Prepared soldiers and families result in fewer out-of-pocket expenses and reduced stress and anxiety. The RAP helps prepare soldiers and family members for relocation. Increased emphasis on first-termers assists young soldiers in learning to deal with the stress of

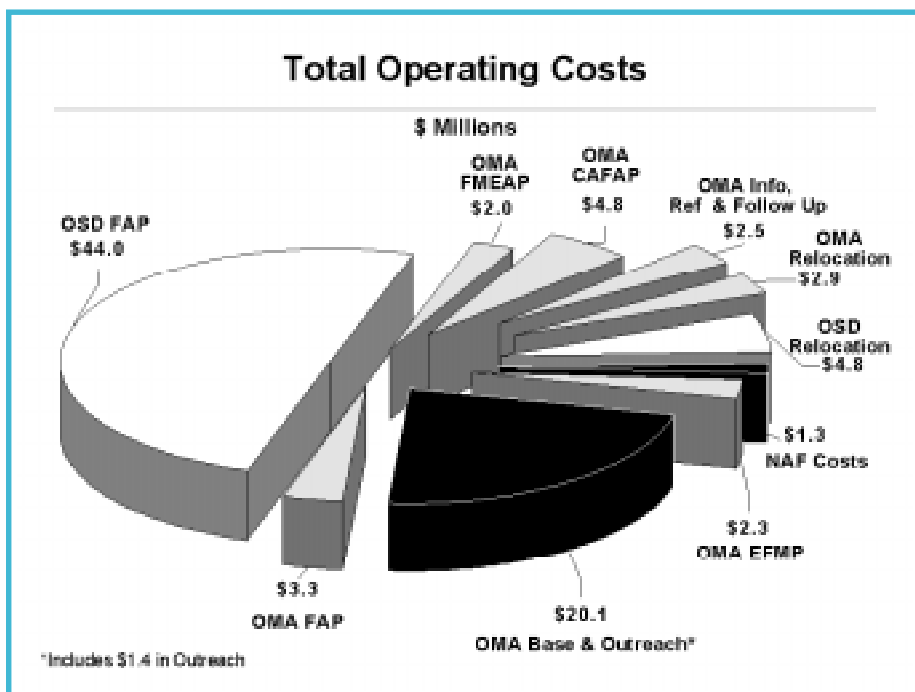


Figure 5-1

relocation early in their careers. While the Office of the Secretary of Defense reduced relocation funds by \$200,000, Army commanders increased OMA funding to sustain this key program. Expanded use of the Standard Installation Topic Exchange Service provided soldiers with current information on new assignments, with additional information obtained from the internet by RAP Managers.

Family Member Employment Assistance Program

With a Chief of Staff, Army, directive that the Army Career Alumni Program assume the FMEAP mission, this was a year of transition. Despite the uncertainty, FMEAP referred 93,000 family members to potential employers; helped place 12,000 family members in jobs that added \$189M to Army households; and helped 23,000 people prepare job applications, SF-171's, and résumés.

An OSD-conducted survey of spouses married to E-5's and below revealed that junior enlisted spouses are predominately women, are 30 years old or younger, lack college degrees,

and possess limited job skills and experience. They find it more difficult to obtain jobs than do spouses of higher ranking personnel. Barriers in obtaining and retaining jobs include young children, limited availability and cost of quality child care, frequent relocations, and the absence of employment assistance. Only 15 percent of respondents report using Army employment programs.

Transitional Compensation for Abused Dependents

Congress established the TC program for abused dependents of military personnel. Legislation authorizes temporary monthly benefits to abused families suffering the loss of the soldiers' income because of disciplinary actions for dependent abuse. Payments are for a minimum of 12 months or until the soldier's estimated time of separation date, whichever period is longer, but may not exceed a maximum of 36 months.

Centrally funded and managed at CFSC, installation ACS offices coordinate individual cases and forward applications to CFSC. During FY97, CFSC provided more than \$1.1M in program benefits for 72 families, including 136 children and 8 guardians.

Army Family Team Building

Completing its fourth year of operation, Army Family Team Building grew significantly since implementation in 1994. Since program inception, over 2,000 volunteer master trainers have trained volunteer AFTB trainers, who in turn train thousands of Army family members worldwide. Through standardized training, AFTB readies soldiers and their families for deployment, separation, relocation, other military contingencies, and military life in general.

Accomplishments for FY97 included: certification of 553 Master Trainers; a Senior Spouse Leadership Course conducted at the Army War College; distribution of over 9,000 copies per quarter of the AFTB newsletter, *The Team Player*, to AFTB volunteers, commanders, and family members; and development of a DA pamphlet and circular, planned for release in mid-FY98.

AFTB initiatives for FY98 include:

- Conduct six AFTB Master Trainer Courses (five in CONUS and one OCONUS), producing an additional 630 Master Trainers. The Army War College and the Sergeants Major Academy will also host Senior Spouse Leadership Seminars.



- Translate and distribute the Level I, II, and III family member training material into Spanish, German, and Korean for foreign-born spouses.

- Develop and distribute foreign language translations of "What's Next?", a supplemental training tool for Level I.

- Develop an AFTB web page, to include *The Team Player*.

- Develop computer-based interactive training for Level I family member training.

- Develop and distribute a handbook on "how to" implement AFTB, which is especially needed by nontraditional installation-based military communities.

A break in the action during annual AFTB training.

- Photo by Heimrich Babb



Shades of Green® Armed Forces Recreation Center, on WALT DISNEY WORLD® Resort.

Armed Forces Recreation Centers

The continued stability of AFRC operations in FY97 resulted in record levels of revenue and NIBD. Although AFRC-Europe's occupancy suffered as a result of Bosnia troop deployments, aggregate AFRC occupancy of 93.4 percent is slightly increased from FY96 levels of 92.7 percent. The number of room-nights also increased by 7,099, or 1.2 percent. Unmet demand for rooms increased dramatically, emphasizing the need for the planned expansion of Dragon Hill Lodge in 2000. Occupancy at Shades of Green exceeds 99 percent, with daily room referrals to other hotels of approximately 100 room nights. Occupancy levels at the Hale Koa Hotel remained exceptionally high, at 96 percent, despite the addition of the new 396-room tower in FY96.

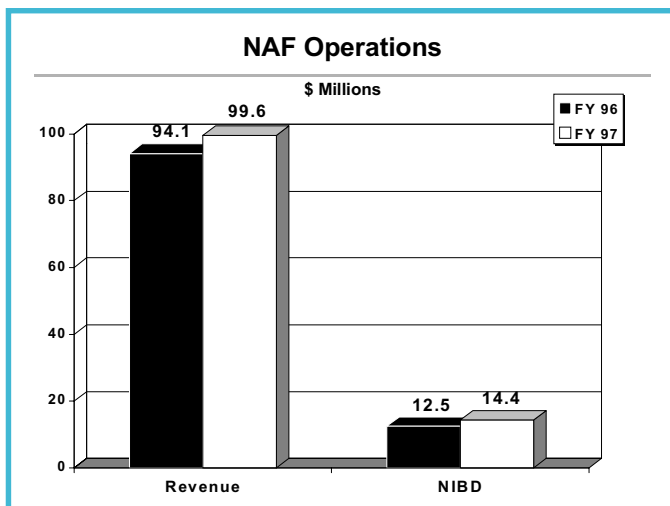


Figure 5-2

Army Recreation Machine Program

Growth in amusement game operations (a 33 percent revenue increase) offset flat slot machine revenue in FY97, resulting in operating revenue of \$122.5M — a 1.1 percent increase from FY96. Expense increases across the program, especially in start-up costs of expanding amusement game operations, caused a slight decrease in total program benefit in FY97 to \$100.8 M, from \$102.4 M in FY96. Despite the slight

decrease, ARMP remains the second largest single source of NAFs for Army MWR programs.

Annual savings of \$1.2M are expected when the ARMP headquarters element relocates from Frankfurt, Germany, to Fort Carson, CO. The relocation of personnel and assets will be completed by June 1998.

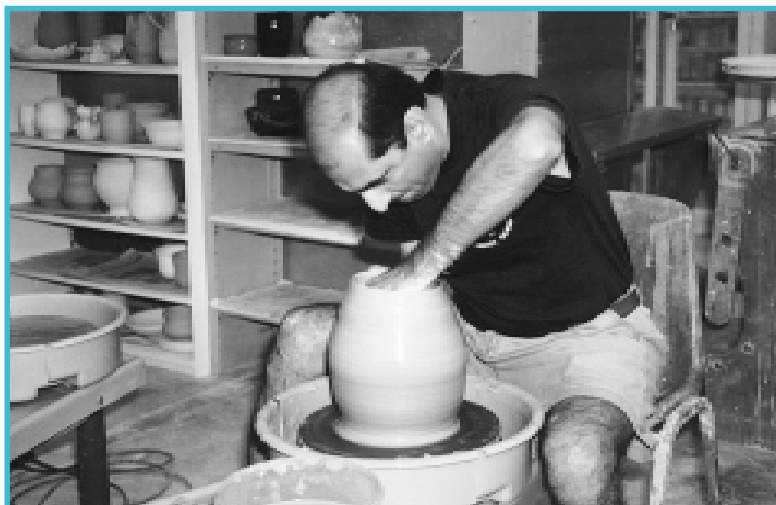
Arts & Crafts

Total funding for the Arts and Crafts program decreased from \$16.6M to \$16.4M in FY97. APF support increased by \$200,000 during FY97. The program funding mix of 51 percent NAF and 49 percent APF is an improvement from FY96 (53 percent NAF and 47 percent APF) but still substantially below the DoD goal of 65 percent APF support.

Although NAF program revenue fell from \$7.2M in FY96 to \$7.1M in FY97, program NLBD improved from \$1.6M to \$1.4M over the same period. The reduced cost of goods and NAF labor caused this improvement.

Annual skills training was provided in conjunction with the Hobby Industries Association annual trade show in January 1997. The 68 Army participants attended HIA industry classes and examined over 3,000 exhibit booths to monitor customer and industry trends. U.S. Army Europe attributes show attendance to a 300 percent improvement to its program's bottom-line.

Participation in 1997 Army Arts and Crafts contests was excellent. The annual Army Photography Contest had 750 entries, and the biennial Army Arts Contest has 300 entries to be judged in FY98. In addition to a published



On the pottery wheel at Kwajalein.

- Photo by Harriet Rice

booklet of winning entries from the Operation Joint *Endeavor/Guard* cartoon contest, thirty-six soldiers were awarded cash for their entries.

Arts and Crafts managers explore different media to reach customers and potential customers. During the FY97 BOSS conference, CFSC arts and crafts offered a variety of activities to soldier participants, such as rubber stamping, airbrushing, framing, and calligraphy.

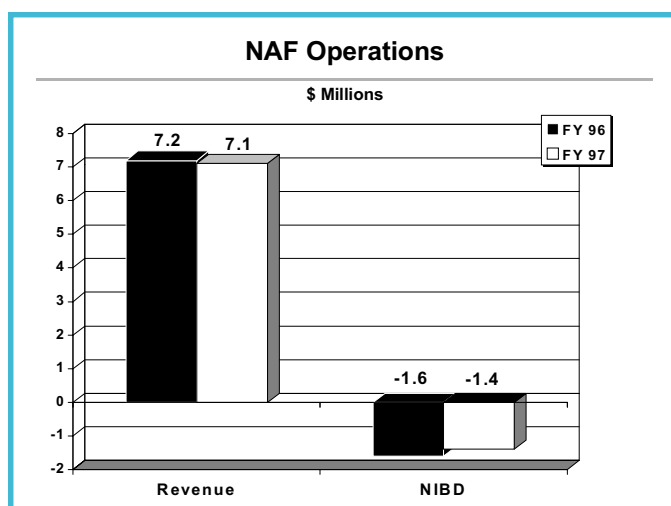


Figure 5-3

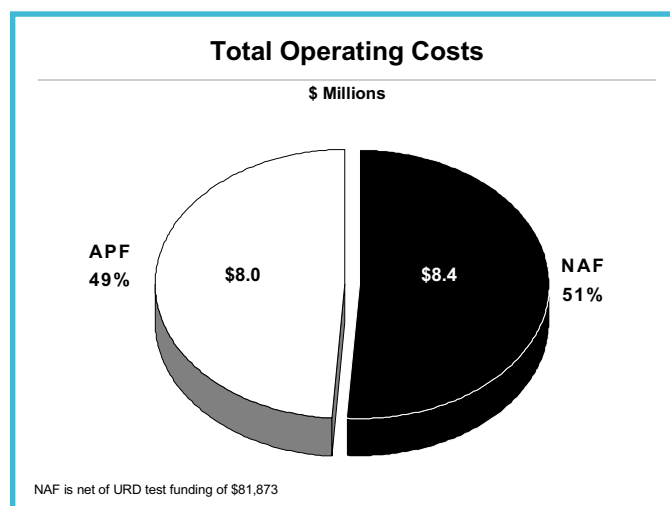


Figure 5-4

Financial Information

Army Average Data

	FY 96	FY 97
COGS	60.3%	59.6%
Labor	66.4%	61.0%
Other Op. Exp.	18.9%	21.0%

Figure 5-5

Automotive Skills

APF support for Automotive Skills held steady at \$9.7M in FY97. At 54 percent, however, APF support is still short of the DoD goal of 65 percent. NAF revenue increased by \$700,000, realizing NIBD of \$1.3M. As more installations replace NAF labor with authorized APF instructors (freeing NAF to purchase supplies, tools, and equipment), the program should realize more growth in NIBD.

Operation of vehicle repair/sales by NAF staff (Category C) increases revenues and augments income from self-help fees (Category B). However, the requirement to reimburse APF for direct support to Category C resale operations (utilities, communication, and supervision) may cause fee increases to match those found in commercial activities.

Annual skills training continues to increase the technical abilities of staff instructors, especially the diagnostics skills needed for modern automobiles. In FY97, training for 29 European staff members focused on automatic brake systems and electrical charging and starting systems. Technical manuals on CD-ROM were provided to 30 installations in CONUS and Europe. These sets of 14 disks contain professional repair and diagnostic data for domestic and foreign vehicles from 1982 through 1997. Updated technical data and service bulletins, along with 1998 vehicle data, are available through GSA and the NAF Smart Buy program.

During FY97, major NAF construction was completed on new automotive skills centers at White Sands Missile Range, NM, and Hohenfels, Germany.

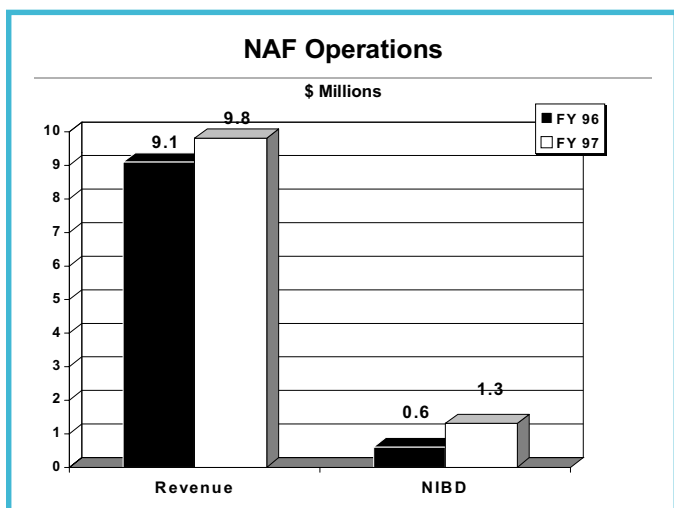


Figure 5-6

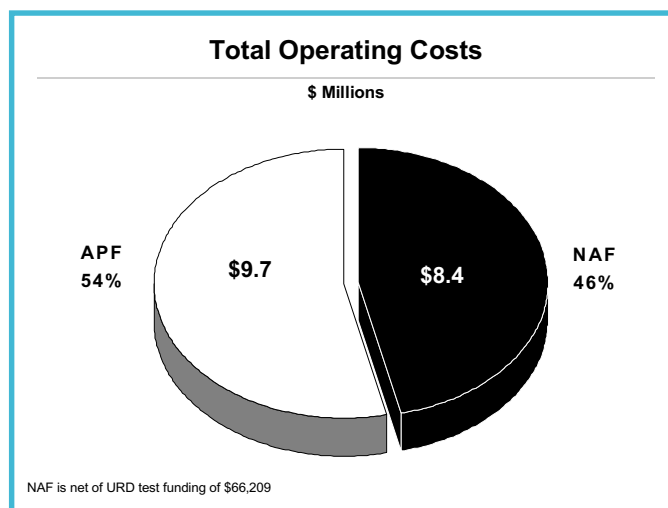


Figure 5-7

Financial Information

Army Average Data

	FY 96	FY 97
COGS	75.4%	71.9%
Labor	65.7%	61.0%
Other Op. Exp.	11.4%	11.8%

Figure 5-8

Better Opportunities for Single Soldiers

Completing its eighth year, the BOSS program is fully operational at all installations with a garrison of 50 or more single soldiers. Through BOSS, single soldiers have another tool to surface quality of life issues, plan their recreational events, and become involved in community service projects.

Training is an on-going requirement for BOSS. In 1997, over 800 soldiers received formal training on the BOSS program through conferences and installation workshops.

A redesigned newsletter, *BOSS News and Views*, was introduced in FY97. The newsletter features good ideas from installation BOSS committees and information targeted at single soldiers.

The Army BOSS program is the standard for other Services. Both the Marine Corps and the Navy are fielding single soldier programs patterned on the Army's program.

Programming efforts in FY98 will focus on events designed to generate funds for installation BOSS committees.



SPC John Culver "adopted" this young Olympian for the day. Culver was one of 40 Fort Bragg single soldiers that volunteered to assist with Special Olympics at Methodist College.

- Photo courtesy of Fort Bragg

Bowling

Total bowling revenue was \$45.5M, versus \$44.9M in FY96. Although total revenue increased by only \$600,000, total NIBD increased \$1M, reflecting improved operational efficiencies. For FY97, 125 bowling centers generated \$6.6M in NIBD compared to \$5.6M in FY96.

Bowling benchmarks released in 1996 gave commanders and program managers valuable tools to evaluate, monitor, and adjust local operations. Based on industry data and results from the Army and other Services, benchmarks are set in five areas: number of lines per lane per day, lane revenue per line, expense per line, total labor per line, and NIBD per line.

Army bowling centers have become exciting since the introduction of new bowling trends, such as Xtreme and Cosmic bowling, state-of-the-art high-tech game rooms, and Strike Zone food operations. In addition, current bowling management strategies are to develop an open bowling customer base, meet or exceed bowling benchmarks, explore new tournament opportunities, expand the youth market, offer short league schedules, and offer prices competitive with local markets.

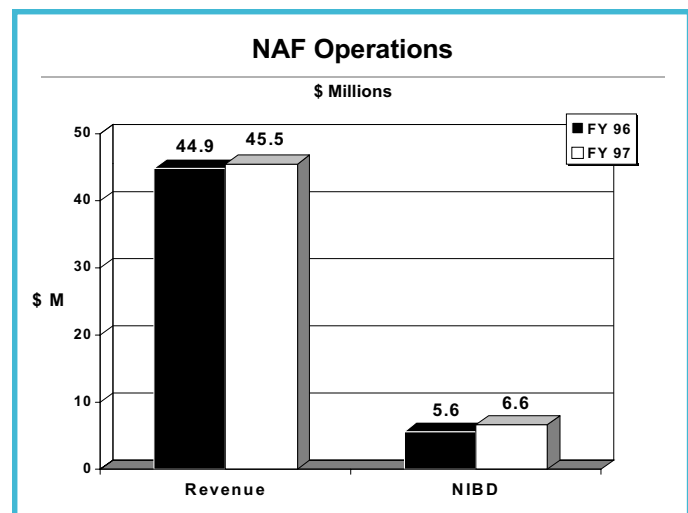


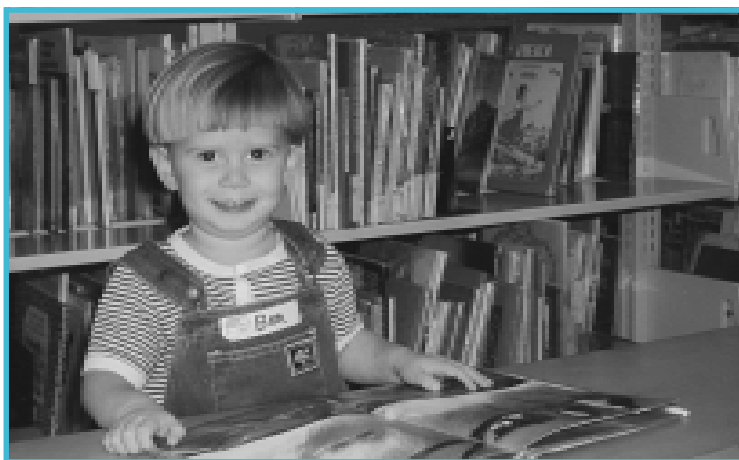
Figure 5-9

Financial Information

Army Average Data

	FY 96	FY 97
COGS	41.5%	40.4%
Labor	54.1%	52.0%
Other Op. Exp.	12.2%	13.5%

Figure 5-10



Ben Leffler enjoys a good book at Fort Bragg.

- Photo by Susan Spitalny

Child Development Services

The ratio of APF to NAF support for CDS programs was 64 to 36 percent, nearly the same as last year. CDS continues to turn around NAF operations with a 20 percent decrease of the NAF subsidy in FY97. Both a slight increase in NAF revenue and continued implementation of the CDC financial management turnaround plan contributed to this reduction.

Armywide CDS programs executed \$109.4M in direct APF, excluding Operating Agency 22, as of September 1997. Direct program costs of \$113.4M were programmed, with the year's execution rate at 96.5 percent. Child Development Services continues to build on the program cornerstones of affordability, availability, and quality with the following initiatives:

- DoD certification of 98 percent of the Army's programs.
- Accreditation of 129 of 156 (83 percent) Child Development Centers (CDCs) by the National Academy of Early Childhood Programs. Army's goal for FY98 is to have 85 percent of its centers accredited.

During FY97, the Army continued expansion of child care spaces and school-age program options. The School-Age Services program serves as a bridge between Youth Services and CDS, helping installations meet full-day, part-day, and hourly child care needs and recreational and sports needs for school-age children. FY97 initiatives:

- Six Army installations served as School-Age demonstration sites for comparable reserved care and walk in (open recreation) programs during duty hours to develop models on delivery.
- Installation Home Alone Policies were developed to meet installation needs and circumstances.
- School-Age Availability Plans outlined current and projected demand for school-age care at Army installations.
- MWR partnerships increased available child spaces and youth program options.

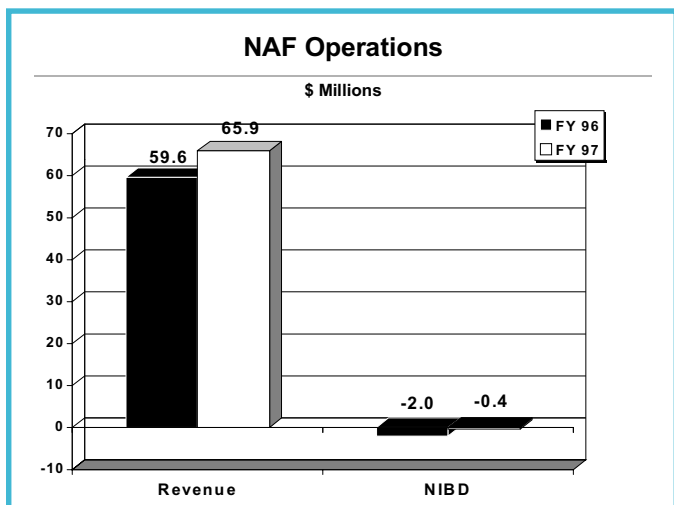


Figure 5-11

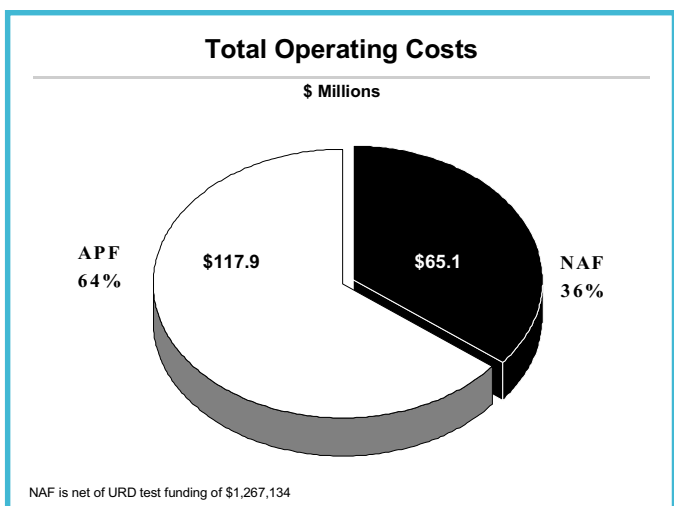


Figure 5-12

Financial Information

Army Average Data

	FY 96	FY 97
Labor	96.5%	92.9%
Other Op. Exp.	6.8%	7.8%

Figure 5-13

Entertainment (Music & Theater)

Entertainment at the installation level showed a \$200,000 increase in revenue over FY96, while NIBD remained constant despite reducing both COGS and labor percentages by 2.4 percent and 6.8 percent, respectively. The Army entertainment program is the largest single producer of community theater in the world. The theater program grew for the second consecutive year, showing a 12 percent increase in production activity over FY96. Partnerships among the BOSS program, community activity centers, youth services, and installation entertainment staff promoted the increased activity. APF funding was reduced by some \$300,000 to 60 percent of total costs, while NAF funding remained steady at \$1.9M.

The Army Concert Series, in a most successful fourth year, presented 12 "big-name" concerts at major CONUS installations. Audiences increased 32 percent over 1996 to over 52,000. The FY97 series was profitable to both hosting installations and the AMWRF, showing increases over FY96 of 57 percent in installation NIBD, 101 percent in AMWRF income, and 44 percent in levels of commercial sponsorship. Special events training, conducted at Ft. Gordon, GA, by CFSC staff, contributed directly to the Army Concert Series success and to increased special events activity and success at the installation level.

The Armywide Battle of Bands held at Schofield Barracks, HI, increased in participation with 14 recreational bands, representing 7 MACOMS, competing at a gala September event.



Smokin' during the Battle of the Bands contest at Fort Gordon.

- Photo by Harriet Rice

NAF Operations

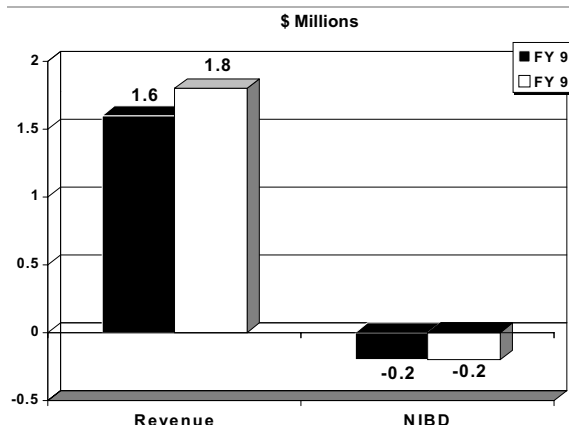


Figure 5-14

Financial Information

Army Average Data

	FY 96	FY 97
Labor	64.6%	57.8%
Other Op. Exp.	40.6%	43.4%

Figure 5-16

Total Operating Costs

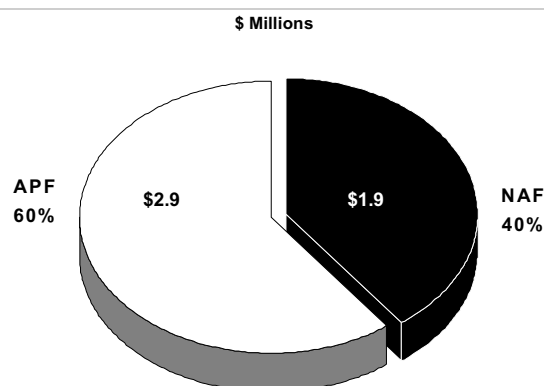


Figure 5-15

Food and Beverage Operations

Two major actions will improve future operations in clubs, theme concepts, snackbars, and other food and beverage programs:

- The BOD established an NIBD standard of 5 percent of revenue for food operations, effective FY98. By the end of FY97, installations had already achieved food NIBD of 5.3 percent — an improvement of 60 percent from 3.3 percent in FY96. These results ex-

ceeded the BOD standard a year ahead of schedule. The standard will be set at 6 percent in FY99 and 7 percent by FY00.

- Food and beverage benchmarks were released in FY97, setting realistic operating targets for the cost of goods sold, labor, other operating expenses and NIBD.

The Joint Services Prime Vendor Program completed the first year of the second-generation contracts in August 1997. At the close of FY97, there were 193 participating installations in the program: 72 Army, 50 Navy, 21 Marine Corps, 47 Navy Exchange and 3 non-military MWR. Contract purchases totaled \$63.7M, representing \$9.6M in annual savings and \$31.1M in program-to-date savings. The Manufacturer Allowance/Rebate program continued to expand, netting \$184,000 in savings to program participants.

Clubs

Traditional clubs improved their financial performance and operational efficiency by providing demand-driven programs and services. In FY97, clubs generated NIBD of \$9.7M, compared to \$8.8M in FY96, an increase of 10.2 percent.

Bingo, a popular club program, produced over \$30.7M in revenue and \$5.3M of the total \$9.7M club NIBD. Additional guidance was released in FY97 to ensure that bingo programs are good neighbors with local communities. These changes limit jackpots to \$100,000 and revise rules on opening bingo to the general public.

Theme Concepts

Theme concepts are changing the face of MWR food and beverage programs. By the close of FY97, the Army's MWR program featured eleven theme concepts throughout the world, from Reggie's Beverage Company at Camp Casey, Korea, to USAREUR's Provisions, in Mannheim, Germany. Other locations include: Primo's Italian Restaurant, Fort Hood; Primo's Express at Forts Drum and Hood (2), McCoy, and Irwin; Strike Zone Bowling Center Snackbar, Fort Shafter; Mulligan's Golf Course Snackbar, Forts Bragg and Sam Houston; and Sports USA at Fort Stewart. By the end of FY98, ten additional installations will open a theme concept. Beyond FY98, twenty-five installations have projects in various stages of development.

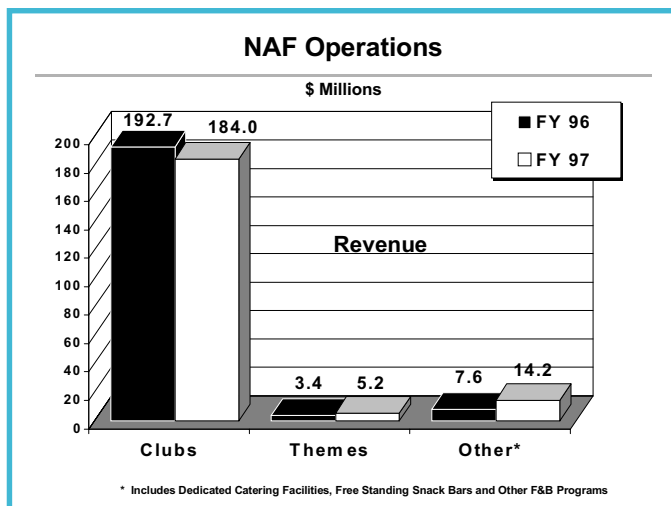


Figure 5-17

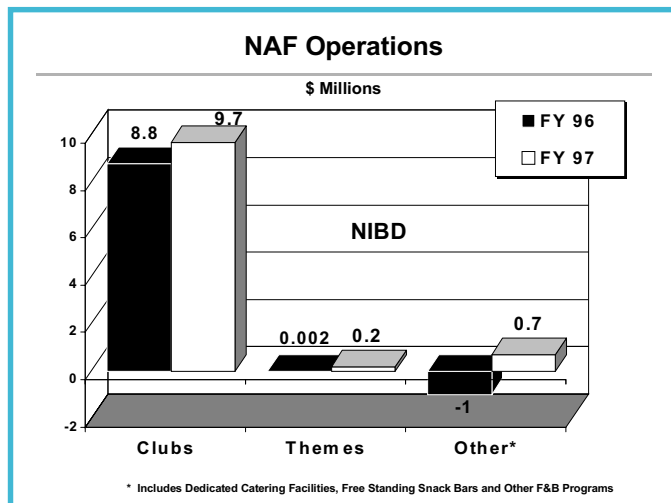


Figure 5-18

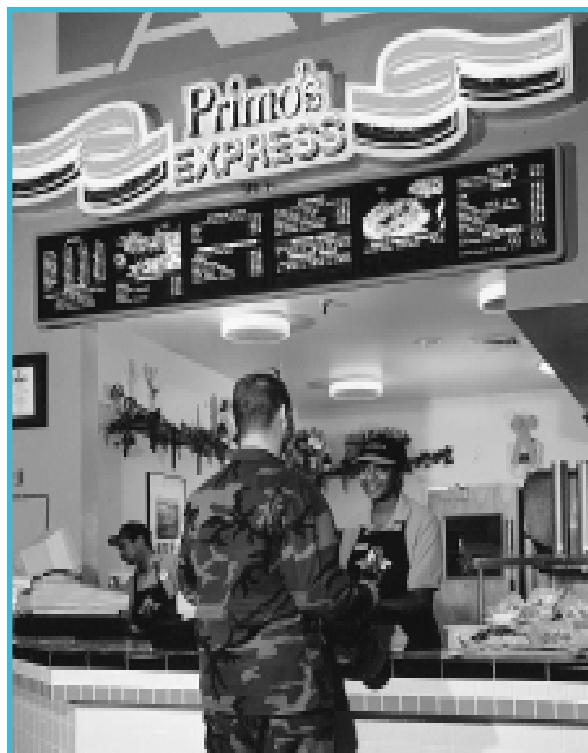
Financial Information <i>Army Average Data</i>	Clubs		Theme Concepts		Other Operations	
	FY 96	FY 97	FY 96	FY 97	FY 96	FY 97
COGS	36.5%	36.0%	38.3%	35.2%	36.8%	34.3%
Labor	45.8%	44.7%	51.9%	50.5%	50.0%	42.4%
Other Op. Exp	26.4%	26.8%	11.6%	13.0%	27.0%	25.8%

Figure 5-19

Although the majority of new concepts came on-line during the second half of FY97 and initial staffing and start up expenses affected operations, their financial performance exceeded the BOD NIBD standard for food operations.

Other Food and Beverage Programs

Other installation-developed concepts, open to all installation personnel, are in many cases former club facilities that have revitalized operations by providing new and innovating concepts or, in some cases, combining activities. *Christophers*, a food and beverage operation at Fort Carson, is located within a former club facility and now houses ITR, Carlson Travel, and a barber shop. This program continues to show improvement as it focuses on offering F&B services responsive to customer demand.



The Primo's Express at Fort Hood's Sports Dome offers quick-service Italian favorites plus burgers, fries, hoagies, and a variety of appetizers to guests.

- Photo courtesy of Fort Hood

Guest Houses

In order to boost occupancy, guest house operations are participating with the Army Central Reservation Center. Through the ACRC, rooms anticipated to be vacant are allocated for sale to customers calling 1-800-GO-ARMY-1 in search of on-post accommodations. In 1997, over 94,000 guest house room nights were allocated to the ACRC for sale.

In FY97, guest house operations enjoyed a 4.4 percent increase in revenue. This increase was offset by increased operating expenses, which yielded a 2.4 percentage point decrease in NIBD. The average guest house room rate in FY97 was \$34.05, up from \$32.28 in FY96. While guest houses continue to contribute to overall installation revenue, a key factor in safeguarding this revenue stream and providing quality accommodations for members of the Army family is ensuring adequate capital reinvestment in guest house facilities.

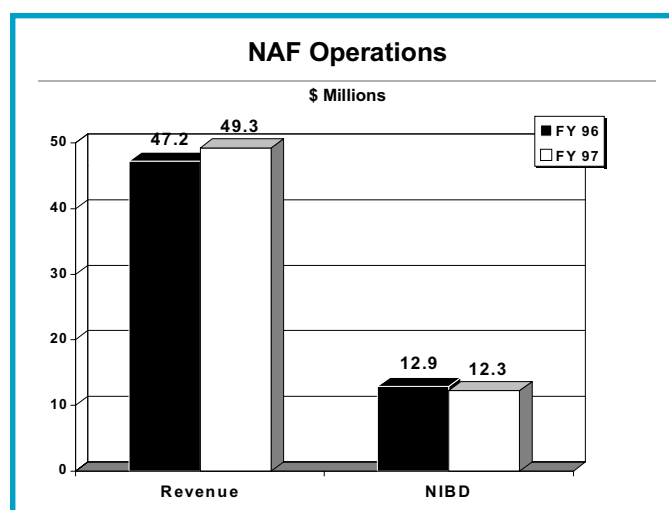


Figure 5-20

Financial Information

Army Average Data

	FY 96	FY 97
COGS	37.9%	40.2%
Labor	46.7%	47.6%
Other Op. Exp.	21.8%	22.3%

Figure 5-21

Golf

The golf program posted record results in FY97, generating \$70.9M in revenue and \$13M in NIBD. This represents a 3 percent increase in revenue and a 16 percent increase in NIBD from FY96. Improved financial performance was principally due to increased sales and a reduction in labor and operational expenses.

Golf program benchmarks, released in FY95 and updated in FY96, provide performance targets for installations and activity managers and help management make necessary adjustments to local operations. In FY97, 18 installation golf programs, or 34 percent of the

total, met or exceeded the 18 percent NIBD benchmark target. On a per-round basis, NIBD increased from \$2.98 in FY95 to \$4.30 in FY96, exceeding the Army average benchmark of \$3.70.

The BOD's Executive Committee approved the establishment and funding of a golf maintenance improvement program. Installations were asked to assess existing facilities so that an Armywide priority list could be developed for planning new or renovated maintenance facilities. The FY99 NAF Major Construction Program has reserved \$5M for funding maintenance facilities.

Implementation of the GolfTrac! point-of-sale/inventory management system proceeded as scheduled, with 60 of the 64 installation golf programs completed by the close of FY97. By the 3rd quarter FY98, fielding of GolfTrac! will be complete, and the upgrade and sustainment phases will begin (including introduction of a Windows version of GolfTrac!, field testing of the Teletrac automated tee-time module, and development of a tournament management module).

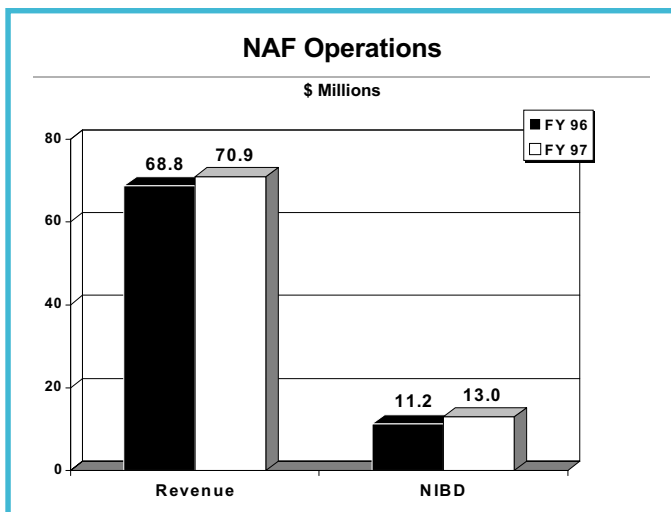


Figure 5-22

Financial Information

Army Average Data

	FY 96	FY 97
COGS	61.5%	61.0%
Labor	46.2%	45.3%
Other Op. Exp.	18.3%	17.3%

Figure 5-23

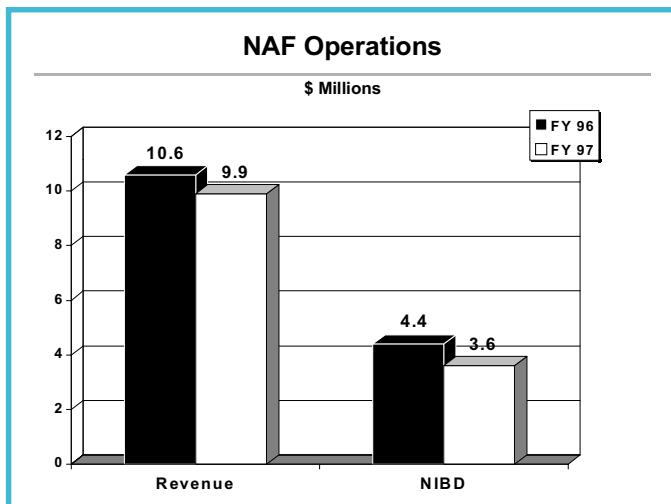


Figure 5-24

Recycling

Recycling reduces the solid waste stream in an economically efficient manner. Installations with a Qualified Recycling Program may keep the earnings from the sale of recyclables, after certain expenses. The commander may use these earnings to fund projects for pollution abatement, energy conservation, occupational safety and health, and MWR programs.

QRPs returned \$3.6M to installation MWR programs in FY97. Earnings by MWR-operated programs and/or payments to MWR decreased over the last two years, primarily due to closure of several operations, reduced prices for materials, and non-transfer to MWR by commanders. Detailed data on recycling, such as rates, types of materials, prices, and deposits to installation recycling accounts, are available at installations or MACOMs.

An anticipated DoD recycling manual containing guidance on types of expenses, recycling programs, and matters related to operating a QRP, is in final DoD review and planned for Service coordination in the summer of 1998.

Leisure Travel

The leisure travel program experienced increased revenue and NIBD over FY96 levels, despite some program setbacks. The Information, Tickets and Reservation program produced net income of \$396,100. Income from Commercial Travel Operations declined slightly to \$5M, from \$5.1M in FY96. Due to major restructuring in the travel industry, CTO revenues may experience dramatic declines over the next few years.

For the past 30 years, travel agents received 10 percent or more in commissions from airlines. In September 1997, airlines reduced commission payments to travel agencies by 20 percent, and industry experts predict further reductions in the future. NAF managers must be prepared to adjust their budgets for projected CTO earnings while the industry works through this transitional stage during the next two to four years.

The ITR program continued a three-year positive trend and generated net income, excluding CTO concession fees. In 1997, 11 installations received ITR-type services via their CTO contractors.

The Consolidated Ticket Program generated sales of over \$9M in FY97, a 20 percent increase from FY96. In FY98, the CTP will be consolidated with the Navy's San Diego consignment ticket program, placing all DoD ticket operations in a single office and improving DoD leverage with vendors. Profits will be returned to participating installations.

The Army's Military Ticket Voucher program grew in 1997 and is now accepted by more than 60 major attractions at principal destinations throughout the United States. The MTV universal voucher is exchanged at the attraction site for tickets. Both the CTP and MTV programs provide significant savings for soldiers and families and earnings for local MWR funds, and at the same time reduce NAF administrative overhead costs.

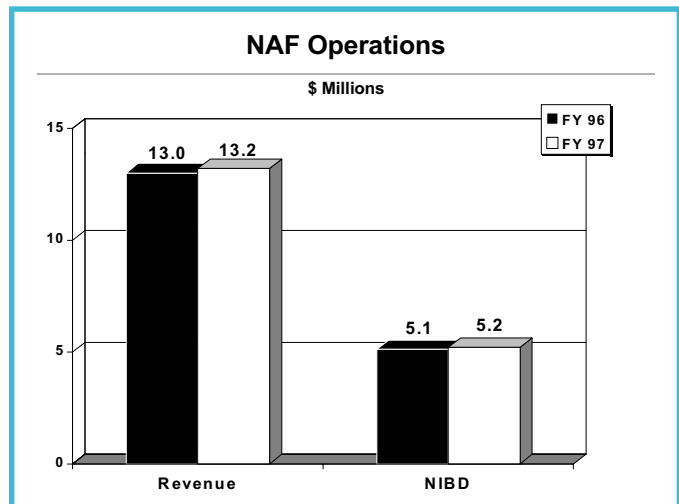


Figure 5-25

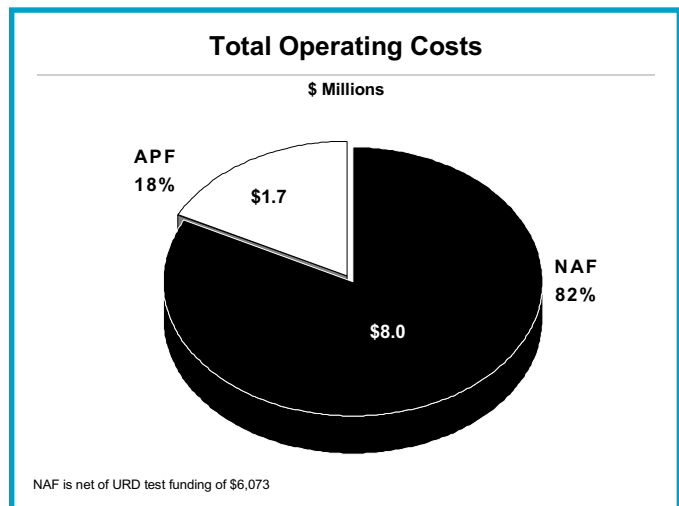


Figure 5-26

Financial Information

Army Average Data

	FY 96	FY 97
COGS	89.1%	88.4%
Labor	14.9%	13.1%
Other Op. Exp.	25.2%	22.0%

Figure 5-27

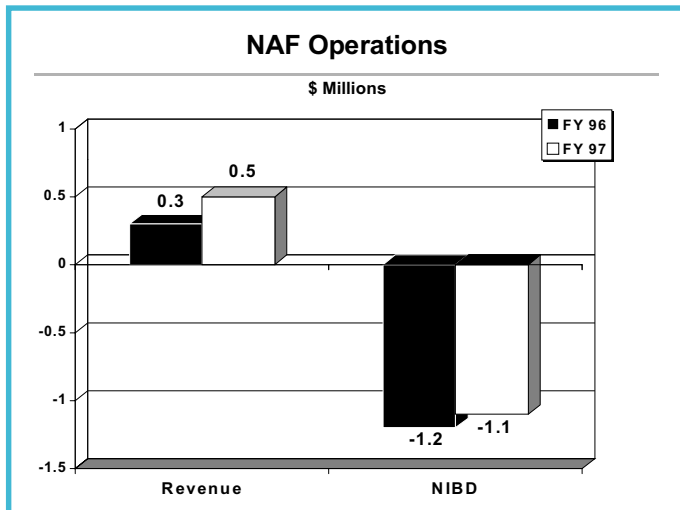


Figure 5-28

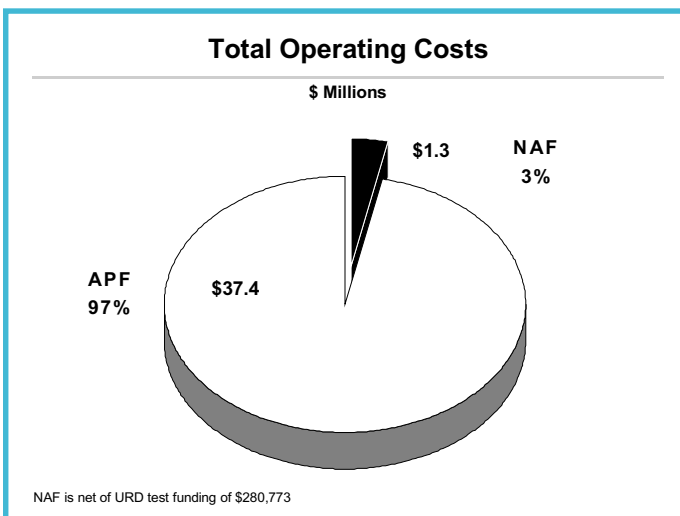


Figure 5-29

Libraries

Total APF funding for libraries in FY97 was \$37.4M, up \$5.4M from FY96. APF allocations covered the cost of labor for librarians, supplies, technicians, equipment, and maintenance and development of library collections/services. NAF expenditures decreased by over \$200,000 in FY97, with only \$1.3M NAF funds expended. The decrease equates to 3 percent of total program funding, versus 4 percent in FY96. NAF support funded OCONUS local national technicians, state-side part-time employees, and other operating costs where APF shortfalls existed.

Libraries play a prominent role in the military community as the installation corporate database, with referrals to information resources on and off the installation. Libraries emphasize programs to meet the educational requirements of soldiers and the information needs of their families. Soldiers and spouses validated the importance of libraries by rating them the most important MWR activity on the 1996 Leisure Needs Survey, and the most used activity by spouses on the Survey of Army Families III.

Central purchase of reference materials valued at \$773,169 (CD ROMs and on-line databases) delivered valuable resources to communities and saved money for the Army. The CFSC spent \$602,519 on paperback books for isolated soldiers, including those assigned to Operation *Joint Guard*. Libraries supported the Young Reader's Project, sponsored by the Armed Services YMCA, and developed children's enrichment activities for School Age Services. Libraries also provided convenient access to the Standard Installation Topic Exchange Service, part of the Relocation Assistance Program.

Fort Huachuca hosted the annual Army Library Institute, which this year focused on the rapid changes challenging librarians. Additional training was available throughout the year using Army Civilian Training, Education, and Development dollars for developmental assignments.

Fort Bragg celebrated the opening of its newly constructed main library in August. Future construction is anticipated for a combined Fort Drum Library and Education Center with a projected completion date of 2000.

Outdoor Recreation

It was a good year; it was a bad year. The loss of \$3.5M in APF support in Outdoor Recreation reduced the funding mix to 36 percent APF and 64 percent NAF, far below the DoD standard of 65 percent APF support for category B activities. The decrease in APF support resulted in a slight increase in NAF expenses.

The good news is that ODR managers did an excellent job making money. Revenues and NIBD increased by \$1.4M and \$600,000, respectively.

The popularity of ODR programs continues to grow. To meet the demand, ODR staff deliver a wide variety of programs, from horseback riding, sport parachuting, flying activities, and sailing, to skiing, camping, and scuba diving. Fort Lewis is constructing a skeet and trap range with a duck tower featuring skeets mounted on a hydraulic lift to simulate live ducks and create a more realistic environment. Fort Drum hosts an annual Big Game contest from September to December, where paintball ranges built for weekend games are used by units during the week for camouflage, reconnaissance, and ambush training.



Dave Mattingly teaches six children and one Martian how to ski at Streidelhang, near Bad Toelz, Germany.

- Photo by Warren Schroeder

Construction and renovation projects in ODR continue to support a growing interest in outdoor activities. Recent projects include a community park upgrade at Fort Lewis, a recreational vehicle park at Fort Huachuca, and a recreation area at Fort Sill's Lake Elmer Thomas.

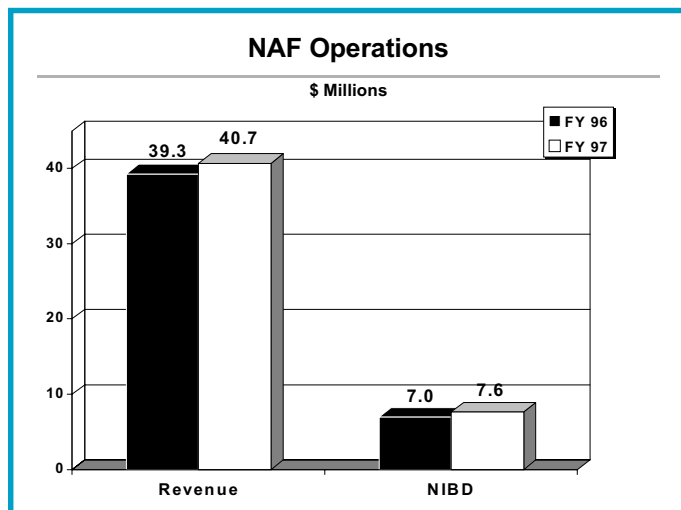


Figure 5-30

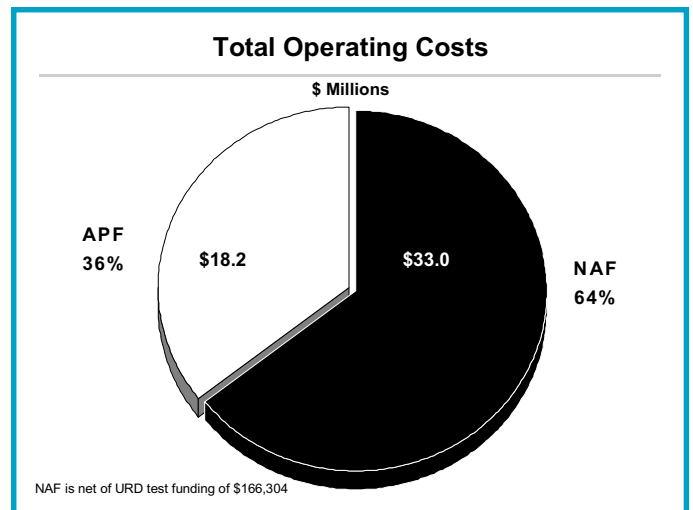


Figure 5-31

Financial Information Army Average Data

	FY 96	FY 97
COGS	53.4%	53.5%
Labor	38.5%	38.0%
Other Op. Exp.	25.2%	27.1%

Figure 5-32

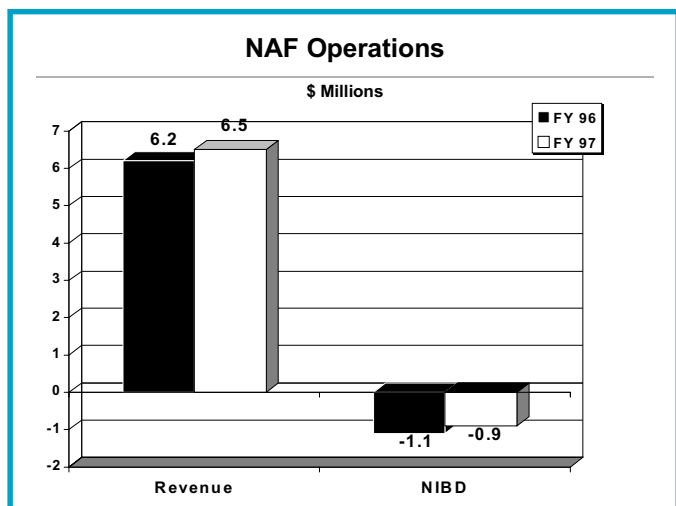


Figure 5-33

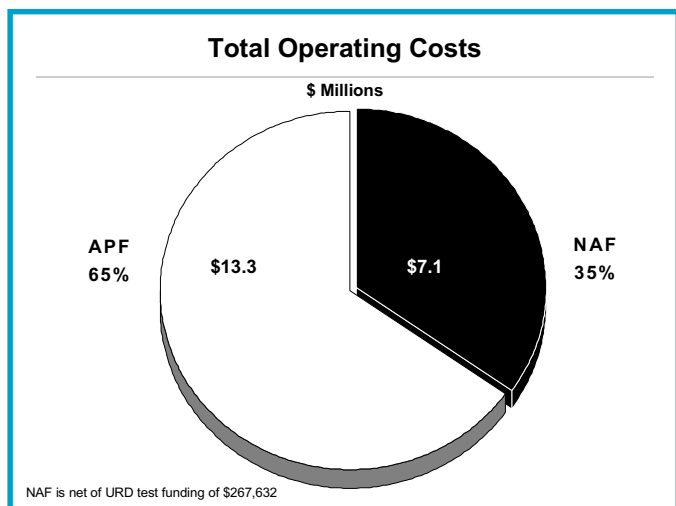


Figure 5-34

Financial Information Army Average Data		
	FY 96	FY 97
COGS	49.6%	44.6%
Labor	48.7%	42.8%
Other Op. Exp.	58.3%	59.2%

Figure 5-35

Recreation Centers (Community Activity Centers)

The FY97 financial performance of Recreation Centers was similar to FY96. Although authorized 100 percent APF support, the funding mix continued at 65 percent APF and 35 percent NAF. Despite the lack of full APF support, the NAF subsidy improved by \$200,000, primarily due to a \$300,000 increase in revenue. This improvement is attributed to customer-driven programming delivered in the most suitable locations. This strategic shift emphasizes nontraditional programming and use of facilities. Lifecycle demand for programs is continuously evaluated, resulting in modifications or elimination as necessary. This strategic shift aligns the program with implementation of the New Recreation Delivery System of the future.

As recreation centers continue to integrate programming, more Community Activity Centers will evolve and facilitate implementation of the New Recreation Delivery System. Multi-use facilities support a nontraditional use of space, a key tenet of the delivery system, by consolidating MWR services from several activities operated separately into one building. Both the CAC concept and the Army's Recreation Delivery System of the future promote staff sharing, cross training, team programming, and facility management across activity lines. There is no standard or ideal pattern for provision of community services in CAC planning. Services may be as diverse as food and beverage, educational and special classes, reading rooms, music rooms, arts and crafts, amusement machines, table games, computer labs, library annexes, entertainment activities, and other social activities.

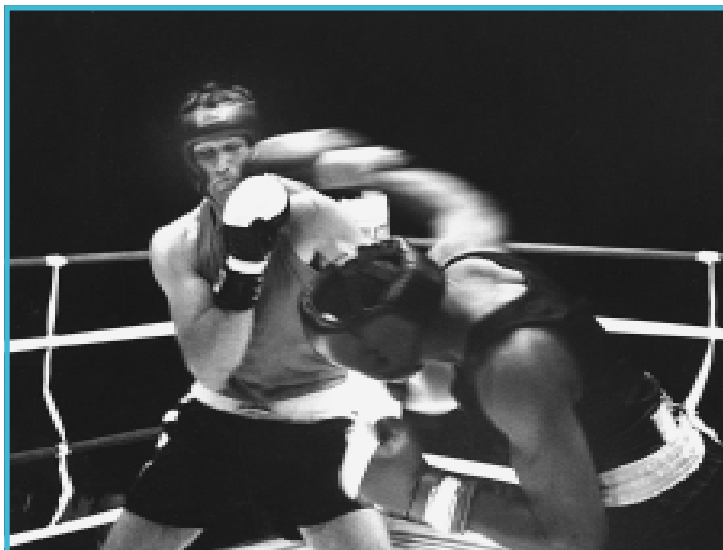
Funding within the CAC is according to its component activities and category (A, B, or C). Construction funds are dependent on the types of activities located in the CAC. If a CAC contains activities that are authorized NAF for construction, NAF may be used to fund construction of the CAC. Installations are erecting new facilities by submitting proposals through the Army's NAF construction program.

Sports

The financial status of the Army Sports Program continued on a positive note, with APF support increasing by \$19.7M to \$100M. This moves program funding to 89 percent APF versus 11 percent NAF, an increase of 3 percent over FY96 but still below the category A goal of 100 percent. A reduction in NAF expenses (as a percent of revenue), accompanied by a \$1.1M increase in revenue, produced an \$800,000 decrease in NLBD, from \$5.7M in FY96 to \$4.9M in FY97.

The APF increase allowed managers to improve the quality of the sports program, reduce NAF costs, and purchase much needed supplies and equipment. Despite improved funding, many installations are still forced to designate military units to operate gymnasiums because of limited staffing. Approximately 900 soldiers are used to operate installation fitness and sports programs. Operating fitness centers, gymnasiums, and the intramural sports program with soldiers, without the benefit of a professional sports staff, diminishes the installation's ability to deliver quality fitness and sports programs.

Despite funding constraints and the use of soldiers, the program continues to provide soldiers and their families the opportunity to learn and play the sport of their choice. The program also continues to provide a wide range of services, including intramural and individual sports, fitness training, health promotion, and



Jeter Barnhill takes a shot from Isaac Brown during the 201-pound-plus (super heavyweight) division title bout of the All Army Boxing Championships.

- Photo by SPC T. James Stiefel

aerobics. Sports and fitness activities are consistently identified in the top five in importance and use by soldiers and their families on numerous Army surveys.

During FY97, the sports program provided approximately 700 soldier-athletes the opportunity to advance to competition in 13 All Army Sports. Army teams won 8 of the contested 17 Armed Forces Championships, capturing gold in boxing, wrestling, men and women's track and field, women's basketball, volleyball, bowling, and softball.

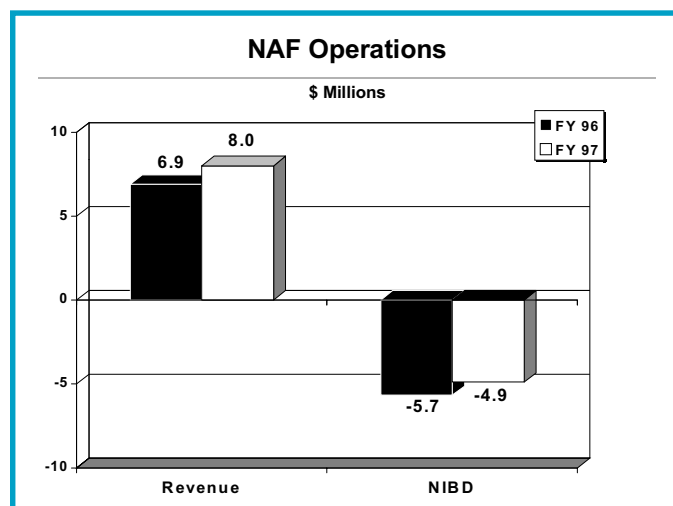


Figure 5-36

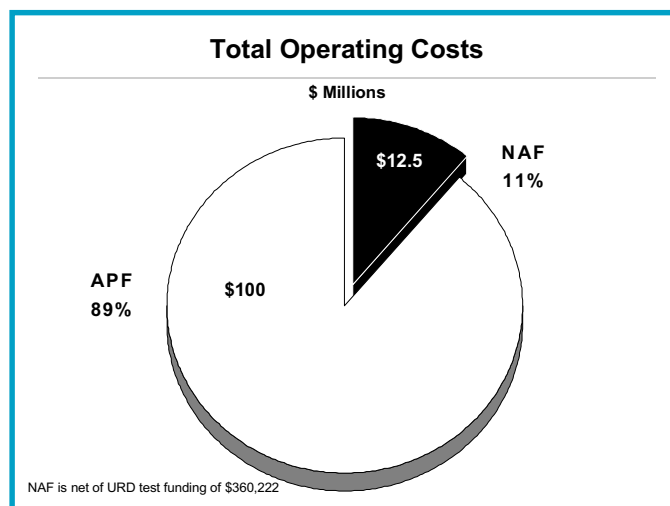


Figure 5-37

Financial Information

Army Average Data

	FY 96	FY 97
Labor	129.0%	111.4%
Other Op. Exp.	39.7%	38.5%

Figure 5-38



Bobsledding equals speed. SPC Garrett Hines, brakeman, and driver Brian Shimer competing at the USA Bobsled World Cup Races in Calgary, Alberta.

- Photo by SGT J. Loud

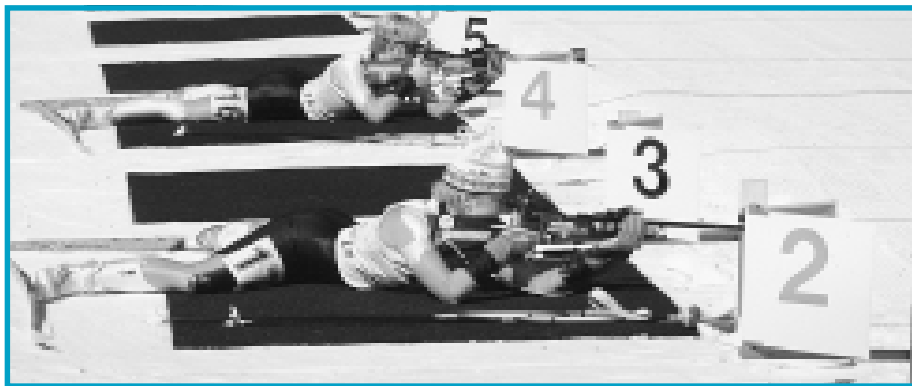
World Class Athlete Program

After the 1996 Olympics, the CFSC reviewed the World Class Athlete Program to analyze what transpired over the two years prior to the games, aiming to improve the program by 2000. The CFSC Commander established a formal military unit to streamline command and control of the program, and searched Army installations to locate a new home for the WCAP program.

Relocation requirements included: housing for married and single soldiers; a vacant building that could be converted to a world class training facility at minimal expense; support for a variety of military occupational specialty training; medical support equipped for sports injuries; proximity to an international airport; and proximity to other nationally ranked athletes. After completing a formal staff study, Ft. Carson, CO, was selected as the new home for the WCAP. Soldiers began arriving in June and July, and a ribbon cutting ceremony was held on 27 August 1997.

Throughout FY97, the CFSC focused on preparing the new complex at Ft. Carson and preparing the athletes for the XVIII Winter Olympics. Soldiers assigned to the program for summer sports continued training throughout the relocation process. In June 1997, SPC Miguel Spencer won the gold medal at the U.S. National Greco-Roman Wrestling Championships.

There were 55 soldiers assigned to the WCAP by the end of FY97, with twelve training for the 1998 Winter Olympics in the biathlon and bobsled. An additional forty-three athletes began training for the 2000 summer Olympics, with thirty-nine physically located at Ft. Carson and seventeen attached to satellite locations offering the best coaching available for their particular sport.



Biathletes SPC Kara Salmela (foreground) and SPC Ntala Skinner (background) focus downrange.

- Photo by SGT J. Loud

During FY98, twelve WCAP athletes will participate in the XVIII Olympic trials. Those earning spaces on the U.S. team will represent the Army in Nagano, Japan, 7-22 February 1998. The remaining WCAP athletes will continue to train and compete for national and international titles, to include the Goodwill Games, as they continue to set their sights on Sydney, Australia, in October 2000.

Youth Services

Youth Services programs continue to provide affordable, safe activities for youth during non-school hours. Total program costs decreased from \$49.1M in FY96 to \$42.6M in FY97; total APF support decreased from \$36.5M to \$31.6M during the same period. Direct APF support for FY97 was funded at \$23.7M and executed at \$27.8M (a 117.3 percent execution rate). The YS program remains 74 percent funded with APF.

The NAF subsidy for YS decreased from \$2.4M in FY96 to \$1.9M in FY97, because of management efforts to control expenses even with falling NAF revenues. NAF labor and other operating expenses decreased \$1M and \$.2M, respectively.

During FY97, in support of both parents and youth, the program staff focused on helping youth make good choices in use of their discretionary time. The program builds on youth assets, both internal (commitment to learning, positive values, social competencies, and positive identity) and external (support, empowerment, boundaries and expectations, and constructive use of time). Program options and local partnerships served to broaden local installation choices, increasing teen participation and school-age care spaces, and decreasing at-risk behaviors. More than 120 youth computer labs and

homework centers were installed on installations, complete with operational manuals. Approximately 30 percent of the youth computer labs have internet access. Partnership opportunities were many, such as with the Boys and Girls Club of America, a two-week course on Adolescent Growth and Development, local 4-H/County Extension Services, schools, youth organizations, and our own chaplains and MWR programs. The Army Teen Panel served as a barometer to provide direct feedback on teen issues.

During FY98, our focus on infrastructure will continue, with new training opportunities for staff, a review of staff roles and responsibilities, access to additional youth resources, more emphasis on the middle school program for youth, and increased utilization. Staff will continue to receive technical assistance in focusing their efforts on delivery of programs that increase the life skills youth need to make positive choices. These programs include workforce preparation, youth employment, sponsorship/relocation assistance, community service, recreation, and sports and fitness opportunities. Local flexibility in program options remains to meet installation needs.

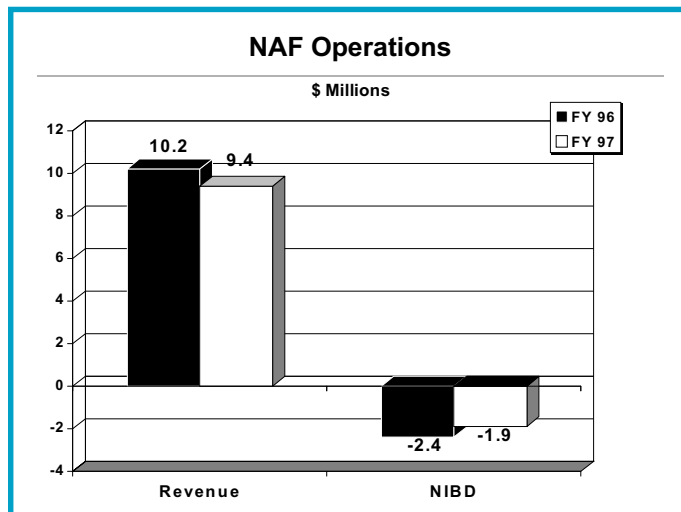


Figure 5-39

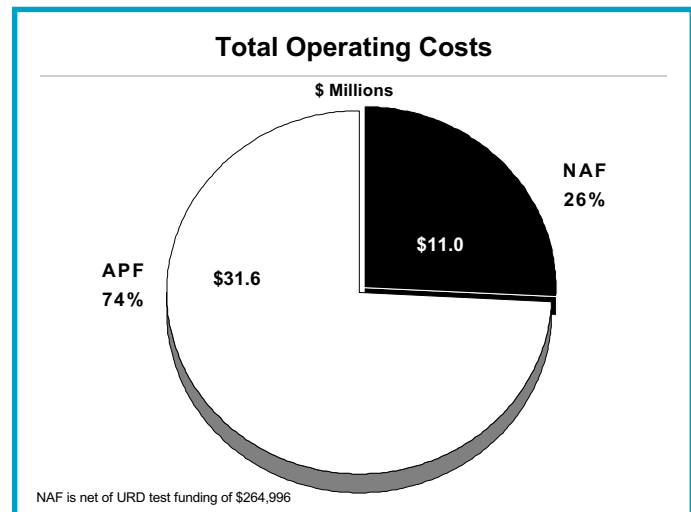


Figure 5-40

Financial Information

Army Average Data

	FY 96	FY 97
COGS	54.6%	58.4%
Labor	79.4%	75.9%
Other Op. Exp.	38.1%	39.5%

Figure 5-41

Process

Section 6

audit results

Independent commercial auditors audited the balance sheets, statements of operations, changes in fund balances, and cash flows for the year ending 30 September 1996. An unqualified audit opinion was rendered for the Army Morale, Welfare and Recreation Fund, NAF Employee Retirement Plan, Central Insurance Fund, Banking and Investment Fund, Medical/Life Fund, Hospitality Cash Management Fund, NAF Employee 401(k) Savings Plan, Recreation Machine Trust and Operations Fund, Hospitality Directorate Fund, and the Armed Forces Recreation Centers in Europe, Korea, Orlando, and Hawaii. These audits are required annually by DoD Instruction 7600.6.

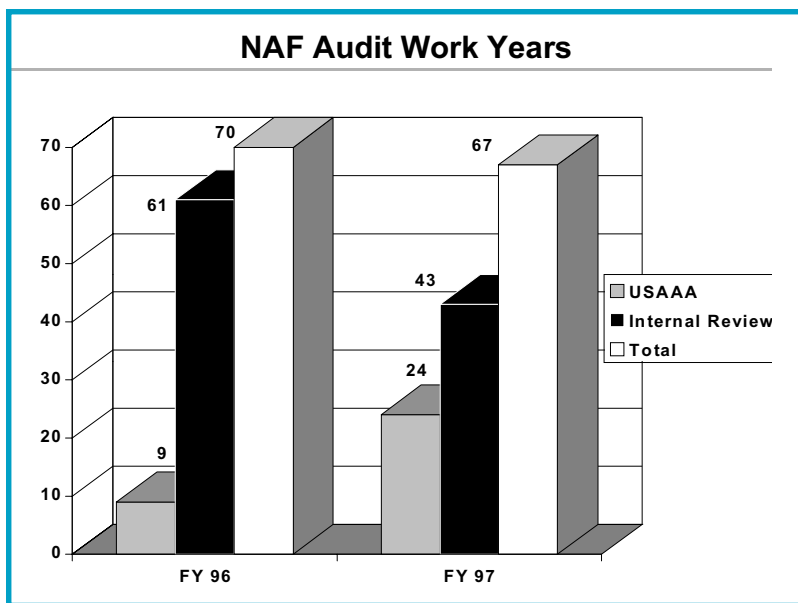


Figure 6-1

Auditing standards issued by the Comptroller General of the United States require that auditors plan and perform these audits to obtain reasonable assurance that financial statements are free of material misstatement. Audits also examine evidence to support the amounts and disclosures in financial statements. Audits assess the accounting principles used and significant estimates made by management and evaluate the overall financial statement presentation. The auditors believe their audits provide a reasonable basis for their unqualified opinion. Financial audits for FY97 are in progress.

During FY97, USAAA issued audits on: the Army Family Advocacy Program, Selected Installation MWR Financial Controls, and

Baseline Validation: Demonstration Project for Uniform Funding of MWR Activities. Results of these and other functional audits performed by installation Internal Review Offices were briefed to the BOD's Audit and Executive Committees. Significant audit findings include:

- The CFSC, MACOMs, and installation program managers effectively carried out the Army Family Advocacy program. Soldiers and their family members were aware of what the program offered. The Army's abuse rate is approximately half of the national average, because of the Army's active abuse prevention program, which provides early detection and treatment. A reduced rate of abuse directly contributes to an improved quality of life for Army families.
- Selected financial controls implemented by the BOD and CFSC resulted in increased profitability for IMWRF operations. The Defense Finance and Accounting Service Consolidated NAF Accounting Center accurately recorded expenses for MWR operations, but guidance and checklists need improvement to allow IMWRF managers to achieve better control over activity costs. Several functional area checklists are available on the internet at www.armymwr.com.
- The purpose of the demonstration project for uniform funding of MWR activities is to determine if uniform funding improves the management and efficiency of programs and employees, and the procurement of property and services. CFSC has responsibility for developing and promulgating policy and establishing objectives, guidance, and procedures. Audit results show that APFs available for MWR programs were expended using applicable NAF laws and regulations and, with minor exceptions, baseline data for the Army's test installations (White Sands Missile Range and Fort Campbell) were accurate and prepared in accordance with DoD instructions. This is the first in a series of audits of the uniform funding test.

Audit Work Years

Time spent by USAAA and Army Internal Review offices in auditing NAF programs is shown at Figure 6-1. Total time spent in FY97 decreased by 3 work-years from FY96. USAAA time spent in FY97 was 24 work-years, an increase of 15 from the prior year. Installation internal review office time spent in FY97 was 43 work-years, a decrease of 18 from the prior year.